

Northport-East Northport Union Free School District



Risk Assessment Update Report

For the Period Ending

December 31, 2014

**Northport-East Northport Union Free School District
Risk Assessment Update Report
For the Period Ending December 31, 2014**

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Board of Education
Northport-East Northport Union Free School District
Northport, NY 11768

We have completed our risk assessment update of the Northport-East Northport Union Free School District (the “District”) for the period ending December 31, 2014. The objectives of the engagement were to assist the Board of Education (the “Board”) in ensuring that the District’s risks are identified and that appropriate internal controls are in place to mitigate those risks.

In connection with the development of the risk assessment, we have performed the following procedures:

- Gained an understanding of the internal controls for the following key business processes:
 - Governance and Planning
 - Accounting and Reporting
 - Cash Receipts
 - Cash Management
 - Revenue and Billings
 - Grants
 - Payroll
 - Human Resources
 - Benefits
 - Purchasing and Related Expenditures
 - Facilities and Capital Projects
 - Capital Assets
 - Food Service Operations
 - Extraclassroom Activity Fund
 - Information Technology
 - Student Related Data and Services
 - Transportation Services
 - Student Services
- Identified the risks that could inhibit the District in achieving its goals;
- Identified the internal controls that the District has in place that are designated to mitigate identified risks; and

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- Identified key areas where the District can strengthen existing internal controls and/or create additional internal controls.

The results of our procedures are presented on the following pages.

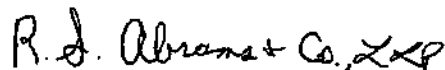
As noted, the purpose of our engagement was to assist you in improving the process by which you monitor and manage the risks that face your District. However, it is ultimately your responsibility to assess the adequacy of your risk management system.

In performing our engagement, we relied on the accuracy and reliability of information provided by District personnel. We have not audited, examined, or reviewed the information, and express no assurance on it.

We would like to acknowledge the courtesy and assistance extended to us by personnel of the District. We are available to discuss this report with the Board or others within the District as your convenience.

This report is intended solely for the information and use of the Board, the Audit Committee and the management of the District and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

A handwritten signature in black ink that reads "R.S. Abrams & Co., LLP". The signature is written in a cursive, flowing style.

R.S. Abrams & Co., LLP
March 13, 2015

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Executive Summary

This report serves to address the second requirement of Chapter 263 of the laws of New York, 2005, which requires all school districts to establish an internal audit function. The internal audit function requirement includes the engagement of a qualified audit firm or individual to make an initial assessment of risk surrounding the design of the District's internal controls, annual updates of the initial risk assessment and testing of these controls on a periodic basis for operational effectiveness.

This risk assessment update is intended to provide management with information to enhance and strengthen the District's controls and to reduce the District's risk relating to its financial processing and reporting operations.

We determined the status for the current year's risk assessment update through various methods, including inquiry of appropriate District personnel involved in these processes, observation of the controls in place, results of internal control questionnaires related to the various business units and testing the controls where necessary to determine if they have been put in place and are functioning as intended.

Additionally, we have reviewed the results of reports issued by our firm during the period ending December 31, 2014, including reports on food service operations and governance and planning to determine if relevant controls have been put in place based on those reports.

The risk assessment requires an internal auditor to obtain an understanding of the risks associated with the various business processes within the District. This requirement involved two categories of risk as follows:

- **Inherent Risk** - the risk associated with the nature and type of transactions processed due to complexity, materiality and quantity of the transactions.
- **Control Risk** – the risk that the internal control system is not adequately designed to prevent or detect errors or irregularities on a timely basis that could be material individually or when aggregated with misstatement in other balances or account classes.

The risk areas have been identified and appropriate risk levels have been determined. The risk levels are defined as follows:

- **High Risk** – these are areas identified as posing the greatest potential risk for the school district and which carry the highest priority. Any outstanding items will be carried over and re-evaluated in the following year's risk assessment.
- **Moderate Risk** – these are areas identified as to be of second level priority and will be addressed after the high-risk items are completed. Any outstanding items will be carried over and re-evaluated in the following year's risk assessment.
- **Low Risk** – these areas are considered lowest priority and will be addressed after the high and moderate risk items are completed.

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We have summarized our assessment of inherent risk and control risk for the current and prior year, as well as our testing plan, in our *Assessment of Risk and Testing Plan* (See Appendix A).

Process Review Summary and Proposed Business Processes

The following represents the business processes where we have provided internal audit services and the business processes we are proposing for period ending December 31, 2015:

Extensive System Reviews:

Period Ending December 31, 2014:

- Governance and Planning
- Food Service Operations

Period Ending December 31, 2013:

- Extra Classroom Activity Fund
- Cash Management

Period Ending December 31, 2012:

- Information Technology
- Health Benefits and Retiree Health Insurance

Extensive Systems Proposed:

Period Ending December 31, 2015:

- Purchasing & Related Expenditures
- Capital Assets

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Moderate Risk Items

Status of Prior Year Findings

FOOD SERVICE OPERATIONS

SALES CYCLE

Previous Control Risk Level: Moderate (M)

Prior Year Findings: During our prior year risk assessment we noted the following regarding the District's food service sales cycle processes:

- The District did not develop and adopt a meal charge policy for students who forgot their money or did not have sufficient funds in their meal accounts as recommended by the New York State Comptroller.
- The School Lunch Director did not perform surprise visits as cash was being collected to observe the cashiers as they were counting the daily sales and entering the cash receipts data into the POS system.
- The District did 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.

Current Year Status: During our risk assessment update and our internal audit report on food service operations, we noted the following regarding the District's food service sales cycle processes:

- 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 New York State Comptroller.
- 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.

Our assessment of control risk continues to be moderate based on the above factors and the following controls in place. These controls, while functioning effectively, did not justify a control risk lower than moderate since we considered the entire control environment in making our assessment.

- On a daily basis, a District employee picks up all bank deposits from the District's locations then delivers the deposits to the bank.
- The District's POS system that is in place does not provide the cashier with the cash balance that should be in the system; rather it is a "blind" system so the cashier has to input the total cash in the drawer before being provided with the overage or shortage amount, if any.

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- The food service director performs and documents 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.

Updated Control Risk Level: **Moderate (M)**

INFORMATION TECHNOLOGY

GOVERNANCE

Previous Control Risk Level: **Moderate (M)**

Prior Year Findings: During our prior year risk assessment update we noted the District did not adopt 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.

Current Year Status: During our risk assessment update we noted the District still 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.

As such, we continue to assess our level of control risk as moderate.

Updated Control Risk Level: **Moderate (M)**

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Low Risk Items

Status of Prior Year Findings

GOVERNANCE AND PLANNING

GOVERNANCE AND CONTROL ENVIRONMENT

Previous Control Risk Level: Moderate (M)

Prior Year Findings: During our prior year risk assessment we noted the District did not adopt the following legally required policies per the New York State School Boards Association:

- Equal Opportunity
- Annual District Election and Budget Vote
- Interpreters for Hearing Impaired Parents
- Equivalence in Instructional Staff and Materials
- Display of the Flag
- Availability of Alternative Format Instructional Materials for Students with Disabilities
- District-wide and Statewide Assessments of Students with Disabilities
- Public Report on Revisions to District Policies, Practices and Procedures Upon a Finding of Significant Disproportionality
- Special Education Personnel Qualifications and Training
- Alcohol & Drug Testing of Bus Drivers
- Staff Complaints and Grievances
- Drug-Free Workplace
- Bilingual / ESL Instruction

Current Year Status: During our risk assessment update we noted that the District adopted the following legally required policies per the New York State School Boards Association:

- *Equal Opportunity*, policy No. 0100
- *Annual Meeting and Election*, policy No. 2200
- *Interpreters for Hearing-Impaired Parents*, policy No.1925
- *Equivalence in Instructional Staff and Materials*, policy No. 4010
- *Display of Flag*, policy No. 1915
- *Availability of Alternative Format Instructional Materials for Students with Disabilities*, policy No. 4321.3
- *District-wide and Statewide Assessments of Students with Disabilities*, policy No. 4321.2
- *Public Report on Revisions to District Policies, Practices and Procedures Upon a Finding of Significant Disproportionality*, policy No.4321.1
- *Special Education Personnel*, policy No. 4321.7
- *Alcohol and Drug Testing of Bus Drivers*, policy No. 8415
- *Staff Complaints and Grievances*, policy No. 9141

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- *Drug/Alcohol-Free Workplace*, policy No. 9320
- *Limited English Proficiency Instruction*, policy No. 4326

As such, we lowered our assessment level of control risk from moderate to low.

Updated Control Risk Level: **Low (L)**

ACCOUNTING AND REPORTING

FUND BALANCE MANAGEMENT

Previous Control Risk Level: **Moderate (M)**

Prior Year Findings: During our prior year risk assessment we noted that formal fund balance projections were not provided to the Board on a monthly basis. We also noted the District's school lunch fund had an operating deficit in the 2012-2013 school year.

Current Year Status: During our risk assessment update we noted that formal fund balance projections are provided to the Board on a monthly basis starting in February. In addition, the District analyzes the results of past expenditures and anticipated needs and funds reserves to anticipate the funding and use of the reserves. The Board has also passed a resolution to fund reserves at a "not to exceed" amount based on fund balance projection reports. However, we noted the District's school lunch fund has an operating deficit in the 2013-2014 school year. The deficit is funded with a \$200,000 transfer from the general fund, resulting in a profit of \$8,564.

Based on the above factors however, this alone does not justify a control risk higher than low since we considered the entire control environment in making our assessment.

Updated Control Risk Level: **Low (L)**

GRANTS

GENERAL PROCESSING AND MONITORING

Previous Control Risk Level: **Moderate (M)**

Prior Year Findings: During our prior year risk assessment we noted the following regarding the District's grant processing and monitoring processes:

- The District did not have several Board approved policies including, but not limited to, *Availability of Alternative Format Instructional Materials for Students with Disabilities*, *Districtwide and Statewide Assessments of Students with Disabilities*, and *Public Report on Revisions to District Policies, Practices and Procedures Upon*

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a Finding of Significant Disproportionality, which are legally required as per New York State Law 8 NYCRR §200.2.

Current Year Status: During our risk assessment update we noted that the District adopted policy No. 4321.3, *Availability of Alternative Format Instructional Materials for Students with Disabilities*, policy No. 4321.2, *Districtwide and Statewide Assessments of Students with Disabilities*, and policy No. 4321.1, *Public Report on Revisions to District Policies, Practices and Procedures Upon a Finding of Significant Disproportionality*, which are legally required as per New York State Law 8 NYCRR §200.2.

As such, we lowered our assessment level of control risk from moderate to low.

Updated Control Risk Level: Low (L)

PURCHASING AND RELATED EXPENDITURES
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TRAVEL AND CONFERENCES

Previous Control Risk Level: Moderate (M)

Prior Year Findings: During our prior year risk assessment we noted the following regarding the District's travel and conferences process:

- The District did not adopt formal policies surrounding meal and refreshments at meetings/trainings/conferences that were sponsored by the District as recommended by the New York State Comptroller.
- Our testing revealed instances where purchase orders were not being utilized prior to employees attending conferences.

Current Year Status: During our risk assessment update we noted purchase orders are being utilized prior to the employee attending a conference. However, we noted the District has not adopted formal policies surrounding meal and refreshments at meetings/trainings/conferences that are sponsored by the District as recommended by the New York State Comptroller.

Based on the above factors however, this alone does not justify a control risk higher than low since we considered the entire control environment in making our assessment.

Updated Control Risk Level: Low (L)

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INFORMATION TECHNOLOGY

NETWORK SECURITY

Control Risk Level: Moderate (M)

Prior Year Findings: During our prior year risk assessment we noted the following regarding the District's network security processes:

- The District did not have procedures in place to lock out users after a certain number of failed logon attempts.
- The District did not require network passwords be changed periodically to reduce the risks involved with unauthorized access.

Current Year Status: During our risk assessment update we noted that the District has procedures in place to lock out users after a certain number of failed logon attempts. In addition, the District requires network passwords to be changed periodically to reduce the risks involved with unauthorized access.

As such, we lowered our level of control risk from moderate to low.

Updated Control Risk Level: Low (L)

Current Year Review

PAYROLL

PAYROLL DISTRIBUTION

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's payroll distribution as low based on the following reasons:

- Unclaimed payroll checks are forwarded to the District Treasurer, who is separate from the payroll printing process in the business office.
- A log of unclaimed payroll checks is maintained by the District Treasurer.
- The District requires all employees to sign for their paychecks or the building principal signs indicating payroll checks within their building locations are legitimate District employees.

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PAYROLL ACCOUNTING AND REPORTING

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's payroll accounting and reporting as low based on the following reasons:

- The Board of Education has appointed the Superintendent as the official payroll certification officer.
- District timesheets are submitted to payroll with appropriate supervisory approval signatures before payroll is processed, including all overtime hours worked.
- All overtime timesheets require the purpose of the overtime be present to support the overtime hours being requested.
- There are controls in place within the payroll department whereby the mathematical accuracy of timesheets are checked, as well as the appropriate approval signatures.

TAX FILING AND RECONCILIATION PROCESS

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's tax filing and reconciliation process as low based on the following reasons:

- The District reconciles the quarterly IRS 941 form to the District's expenditure ledger.
- All required tax filings are performed in a timely manner.

SEPARATION PAYMENTS

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's separation payments as low based on the following reasons:

- The calculation of the final separation payment that is prepared by the District Treasurer is reviewed and approved by the Assistant Superintendent for Business.
- The calculation of the final contractual paycheck is reviewed and approved by the Assistant Superintendent for Business prior to payment being rendered.
- The controls in place regarding the District's attendance recordkeeping processes, which are a prerequisite to ensuring that separation payments for accumulated leave balances are calculated properly, include the following:
 - Daily attendance reports are prepared at each building location.

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- Attendance is tracked within *Finance Manager* rather than tracking leave balances manually.
- Year-end reviews of attendance data are performed by the account clerk typist in the human resource department prior to the year-end roll-over, which is achieved by reviewing *Attendance Balance* reports for each employee for accuracy.
- The payment made to the third party administrator for retirement benefits is reviewed and approved by the claims auditor.

HUMAN RESOURCES

EMPLOYMENT REQUISITION AND HIRING

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's employment requisition and hiring as low based on the following reasons:

- There is proper segregation of duties between the District's human resource and payroll functions surrounding the input of new employee data in the accounting information system.
- The District verifies all applicable step levels for newly hired instructional positions, which includes obtaining proof of previous experience and relevant transcripts.
- Background and reference checks are performed on all newly hired employees, including the obtainment of fingerprint clearance as required by state education laws.
- The Board of Education approves all new hires, which is documented in the minutes of the Board of Education meetings.
- A new hire package is provided to all newly appointed District employees that include the required documentation that is to be prepared.

EMPLOYMENT TERMINATION

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's employment termination as low based on the following reasons:

- As previously noted, the calculation of the final contractual paycheck is reviewed and approved by an appropriate administrator prior to payment being rendered.
- The Board of Education approves all employees who are terminating their employment with the District.
- Proper controls are in place regarding the inactivation of the employee in the payroll module of the District's accounting information system.

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EMPLOYEE ATTENDANCE

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's employee attendance as low based on the following reasons:

- Attendance records are tracked and maintained within the District's accounting information system.
- Daily absence reports are prepared by each building location and are entered into the District's accounting information system on a weekly basis.
- There are controls in place whereby custodial employees are required to sign in and out on a daily basis at their respective building location which are reviewed and approved by the head custodian prior to being forwarded to the business office.
- Once the weekly absence reports are reviewed for accuracy by the account clerk typist in the human resource office, the attendance data is formally posted to the District's accounting information system.
- Year-end reviews of attendance data are performed by the account clerk typist in the human resource department prior to the year-end roll-over, which is achieved by reviewing *Attendance Balance* reports for each employee for accuracy.

However, after the year-end rollover of attendance data has been performed, the data is not reviewed by a responsible administrator to verify that the attendance balances are accurate. Although, the employees are provided with an *Attendance Balance* report for the prior year and current year to verify their attendance rollover is accurate. Based on the above factors, this alone does not warrant the level of risk to be raised above low.

PURCHASING AND RELATED EXPENDITURES

PURCHASING PROCESS AND PURCHASE ORDER SYSTEM

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's purchasing process and purchase order system as low based on the following reasons:

- The District has implemented procedures to annually review the vendor master file for duplicate and/or inactive vendors.
- The District has updated policy No. 6700, *Purchasing Policy*, to include the name of the individual who is responsible for purchasing as required by Chapter 402 of the Laws of New York, 2007.
- The District's purchasing agent verifies that quotations are obtained by the originator of the purchase requisition.

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- The District procures goods and/or services from time to time utilizing other governmental agencies contracts and BOCES cooperative bids to help reduce the costs of bidding.

However, the District does not currently have procedures in place 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. Although, the District is in the process of reviewing the *Vendor Change Report* annually. Based on the above factors however, this alone does not warrant the level of risk to be raised above low.

PAYMENT PROCESSING

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's payment processing as low based on the following reasons:

- The District requires that the receiving copy of the purchase order be signed and forwarded to accounts payable with the related packing slips (if applicable) before payment is processed.
- The District utilizes "EDGE" check printing technology, which is used to convert blank check stock into negotiable checks for payment to vendors.
- The District maintains the check signature discs in a secure location which are password protected and only accessible by authorized employees.
- The District's claims auditor reviews all checks before they are mailed to the vendors.
- The District requires that all vendors submit an IRS W-9 Form to verify the vendor's tax status.
- The District requires all invoices and/or receipts to be properly cancelled after payment.

FACILITIES AND CAPITAL PROJECTS

FACILITIES MAINTENANCE

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's facilities maintenance as low based on the following reasons:

- The District has adopted a *Building and Grounds Maintenance and Inspection* policy No. 8220, that consist of broad provisions and guide, lines that outline the Board of Education's priorities, responsibilities and expectations of the operations and maintenance program as recommended by the New York State Comptroller.

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- The District has conducted a cost and energy conservation study to determine its eligibility for energy performance contracts. As a result of the study, the District received an energy performance contract and the energy performance project will commence during the summer of 2015.
- The District has incorporated in their technology plan, long-range equipment purchases.
- The District has a set maintenance plan and schedules regular maintenance activities on the District's major building systems.
- The District has a long-range plan regarding its educational facilities to be in compliance with Commissioners Regulation §155.1.
- The District has an Operations and Maintenance Committee that discusses and implements the five year capital projects plan.

CONSTRUCTION PLANNING AND MONITORING

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's construction planning and monitoring as low based on the following reasons:

- The Assistant Superintendent for Business verifies all documents related to capital project expenditures before payment is made. This includes a review of costs, certified payrolls and the related American Institute of Architects ("AIA") documents from the District's architect, which is then signed off by the Assistant Superintendent for Business.
- There are proper controls in place surrounding the monitoring of budgets for the District's capital projects, which include setting up and monitoring budgets by project in the District's accounting information system.
- The District's expenses related to capital projects are approved by the District's architect and then forwarded to the Assistant Superintendent for Business before being sent to the vendor.
- Appropriate professionals are utilized in the District's facilities and capital construction projects to assist the District in the monitoring of construction projects.

FINAL BUILDING PROJECTS REPORT

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's final building projects report as low based on the following reasons:

- The District's accounting software has the ability to track expenses by SED project number. Additionally, the District Treasurer tracks expenses by capital project utilizing a

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CapProSoft program that is designed specifically for tracking capital projects for school districts.

- The District receives a substantial completion form from the architect which signifies that the capital project is completed.
- The District Treasurer is responsible for reviewing and/or filing the *SA-139, Request for Building Project Data, FP-F1, Request for Revision of Financial Information and Final Building Projects Reports*.
- The Assistant Superintendent for Business and District Treasurer are aware of the deadlines for filing the *Final Building Project Reports*.

FOOD SERVICE OPERATIONS

FEDERAL AND STATE REIMBURSEMENT

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's federal and state reimbursement as low based on the following reasons:

- Federal and state reimbursements are submitted utilizing the New York Child Nutrition website, which alerts the District if the number of meals is inconsistent, allowing time for corrections.
- The District utilizes a comprehensive Point of Sale (POS) system called *NUTRIKIDS* within the school lunch operation that calculates the monthly reimbursement based on the number of free and reduced meals served.
- Controls within the POS system are strong, with secondary level students are required to "swipe" their I.D. card or type in their I.D. number that drives their meal status (free, reduced or paid). At the elementary level, the cashiers search the students name on the POS system by class roster. By having strong controls within the POS system, the accuracy of the federal and state reimbursement requests are greatly enhanced.

INVENTORY AND PURCHASING

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's inventory and purchasing as low based on the following reasons:

- The food service operations of the District include a requirement to perform a monthly inventory of all food and non-food items, including government commodities.

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- Based on the results of the monthly inventory and the needs of the food service operation, the District is able to properly plan and purchase the required level of stock to maintain the food service operation of the District.

ELIGIBILITY VERIFICATION

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's eligibility verification as low based on the following reasons:

- The District has appropriate procedures in place for the review of student free and reduced meal applications.
- Following federal guidelines, the District performs the required annual income verification review of 3% of the free and reduced meal applications that were submitted.
- The District properly places students on the free and reduced program after receiving direct certification notifications from government agencies.
- Reassessment of the free and reduced status for students is performed on an annual basis.
- The District makes available free and reduced meal applications by sending them home to the student's parents. Additionally, the school nurses office, food service cashiers and the District website has applications available.
- The District adopted policy No. 5141.4, *Free Lunch for Needy Children*, which addresses the District's procedures and responsibility for providing a free or reduced price lunch for all economically disadvantaged children, however the latest revision of this policy was on September 12, 1983.

VENDING MACHINES

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's vending machines as low based on the following reasons:

- The District's Food Service Director performs a reconciliation of meter readings to sales for *Answer Vending, Inc.* to ensure that the commission check that is received is accurate.
- The District has been receiving the commission check from *Answer Vending, Inc.* on a monthly basis.

However, the District does not have a current contract on file with *Answer Vending, Inc.* to provide vending services for the District. Although, with continued effort to obtain a contract

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without success, the District has decided to proceed with a request for proposal ("RFP") for vending machines. Based on the above factors however, this alone does not justify a control risk higher than low since we considered the entire control environment in making our assessment.

EXTRA CLASSROOM ACTIVITY FUND

GENERAL CONTROLS

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's general controls as low based on the following reasons:

- The District's policy No. 5210, *Student Organizations*, addresses the purpose and organizational procedures of the extraclassroom activity accounts.
- The District's policy No. 5252, *Student Activities Funds Management*, addresses the approval procedures of extraclassroom activities and procedures surrounding leftover funds.
- The District has formally appointed a central treasurer for each building location who is responsible for processing all disbursements and having custody of all funds.
- The District maintains formal club charters for all extraclassroom activity accounts that lists, at a minimum, the name of the club and the names of the student officers and faculty club advisors. The document is signed by each student officer and the faculty club advisor, which is recommended by the Association of School Business Officials International. The signed charters are 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.
- The extraclassroom activity accounts and faculty advisors are reviewed and approved by the Board on an annual basis.

However, we noted profit and loss statements are not prepared for the District's extraclassroom activity fundraising activities. Based on the above factors however, this alone does not justify a control risk higher than low since we considered the entire control environment in making our assessment.

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CASH, CASH RECEIPTS AND DISBURSEMENTS

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's cash, cash receipts and disbursements as low based on the following reasons:

- New York State sales tax compliance is being 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.
- The disbursement checks are mailed to the vendors by the student activity treasurer for mailing.
- The District's extraclassroom activity fund has a procedure to issue pre-numbered pre-printed duplicate copy cash receipts or activity treasurer receipts when collecting funds as suggested by Finance Pamphlet 2.
- The District's extraclassroom activity fund has a procedure to maintain sufficient documentation, such as photocopies of checks, to support cash receipts.
- Invoices and/or receipts are entered into *Quickbooks* and the check number is noted on the payment order to prevent potential duplicate payments.
- The District's extraclassroom activity fund utilizes pre-numbered pre-printed duplicate copy payment orders when requesting a disbursement check to be issued as suggested by Finance Pamphlet 2.
- The District's extraclassroom activity fund bank accounts are reconciled on a monthly basis.

STUDENT RELATED DATA AND SERVICES

STUDENT ATTENDANCE

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's student attendance as low based on the following reasons:

- The District has adopted policy No. 5160, *Student Attendance*, which is a comprehensive attendance policy that addresses the requirements outlined by the Commissioners Regulations.
- The District has procedures in place for student attendance taking at each of the District locations.
- The District maintains a record of each pupil's presence, absence, tardiness, and early departure in a register of attendance.
- District codes are in place to properly identify the reason for absence, tardiness, or early departure.
- The District's attendance policy distinguishes between excused and non-excused absences, tardiness and early departures.

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- An electronic system (*E-School Data*) is in place at the District to collect, calculate, summarize and report attendance data.

STUDENT PERFORMANCE DATA

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's student performance data as low based on the following reasons:

- The District has assigned data personnel and building administrators the responsibility for the accumulation of data surrounding student dropouts, test scores, enrollment and cohorts.
- There are review procedures in place whereby student performance data is compared to prior years and similar schools to assess the reasonableness of the data prior to certification and submission to the State Education Department.
- District personnel reviews published data on the School Report Card and utilizes the School Report Card as a tool to improve student performance.
- The District has assigned appropriate personnel with the responsibility of ensuring that student performance data is secure, reliable and accurate.

STUDENT SECURITY AND SAFETY

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's student security and safety as low based on the following reasons:

- The District has formed a health and safety committee that is responsible for overseeing the District's safety procedures to ensure that the District's students are educated in a safe environment by developing the District's safety plans.
- The District's health and safety committee incorporates the four components as required, which are building condition surveys, annual visual inspections, a five-year capital facilities plan and monitoring system procedures.
- The District has adopted a comprehensive district-wide school safety and building level safety plan on crisis intervention and emergency response and management.
- The District has an emergency management plan as required by Commissioners Regulations §155.17.
- The District has adopted policy No. 8132, *Fire and Emergency Drills*, which addresses the District's procedures for conducting fire drills during the school year.
- The District performs fire drills in accordance with Education Law 807 and 3623 and evacuation drills are performed in accordance with Commissioner's Regulation 155.17.

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TRANSPORTATION SERVICES

STUDENT TRANSPORTATION

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's student transportation as low based on the following reasons:

- The District has adopted policy No. 3541, *Transportation*, which address the method the District uses to determine the eligibility of pupils for transportation services to and from the public schools which they attend.
- The District has adopted policy No. 8411.1, *Transportation to Child Care Locations*, which addresses the District's procedures surrounding the transportation of students to various child care centers.
- The District has appointed the Supervisor of Transportation as the designee responsible for administering the transportation program.
- The District evaluates the student transportation system for procedural and operational improvements on an annual basis.

TRANSPORTATION CONTRACTS

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's transportation contracts as low based on the following reasons:

- We noted transportation services contracts were determined by request for proposals and were approved by the Commissioner of Education.
- The transportation contract includes a clause that authorizes the Board to increase or decrease the level of service without alternating the terms of the agreement.
- The District maintains relevant documentation surrounding contracts, contract extensions, bidding information, rider lists, mileage records and allocated expenses.

However, we noted that the District does not have written policies and procedures concerning the decision to extend or rebid a transportation contract. Based on the above factors however, this alone does not justify a control risk higher than low since we considered the entire control environment in making our assessment.

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TRANSPORTATION STATE AID

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's transportation state aid as low based on the following reasons:

- The Assistant Superintendent for Business monitors the receipt of transportation aid and reviews the Transportation Formula Aid Output report on an annual basis for accuracy.
- The Assistant Superintendent for Business reviews the receipt of transportation aid to ensure that transportation state aid payments are effectively monitored.

However, the District does not have written policies and procedures for the eligibility of expenses for transportation aid. Based on the above factors however, this alone does not justify a control risk higher than low since we considered the entire control environment in making our assessment.

STUDENT SERVICES

SYSTEM TO TRACK AND ACCOUNT FOR CHILDREN ("STAC")

Current Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the control risk for the District's STAC as low based on the following reasons:

- When available the District staff attends training on how to utilize the online STAC database and access to the STAC system is limited to only those who have an operational need to access it.
- The Director of Special Education reviews all the processed STACs once the Automated Verification Listing ("AVL") has been received to determine if the STAC was properly completed for reimbursement.
- The District evaluates out of District students attending NYS approved non-public institutions, students with 1:1 aides, students for which the District has purchased an IEP required assistive-technology device and students that receive behavior intervention services at home are used to determine if the student is eligible to be STAC.
- The District calculates the total salary and benefits for all special education teachers and aides.

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Corrective Action Plan

The District is required to prepare a corrective action plan in response to any findings contained in the internal audit reports. As per Commissioner's Regulations §170.12, a corrective action plan, which has been approved by the Board, should be submitted to the State Education Department within 90 days of the receipt of a final internal audit report.

The approved corrective action plan and a copy of the respective internal audit report should be sent to the following address:

New York State Education Department
Office of Audit Services, Room 524 EB
89 Washington Avenue
Albany, New York 12234
Attention: John Cushin

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Appendix A

Legend		
✓		Extensive system process review completed
■		Extensive system process review proposed
•		Processes evaluated
H = High M = Moderate L = Low		

BUSINESS PROCESSES & SUBPROCESSES	<i>Inherent Risk</i>		<i>Control Risk</i>		<i>Audit Plan</i>		
	12/31/13	12/31/14	12/31/13	12/31/14	2013	2014	2015
GOVERNANCE & PLANNING							
Governance and Control Environment	H	H	M	L	•	✓	
Budget Development and Administration	H	H	L	L	•	✓	
Budget Transfers	L	L	L	L	•	✓	
Open Meetings Law	L	L	L	L		✓	
ACCOUNTING & REPORTING							
Financial Accounting and Reporting	H	H	L	L	•		
Auditing	M	M	L	L	•		
Fund Balance Management	H	H	M	L		✓	
GASB Statement 54	L	L	L	L			
CASH RECEIPTS							
Collection & Posting of Receipts	H	H	L	L	•		
CASH MANAGEMENT							
Cash and Investment Management	H	H	L	L	✓		
Wire Transfers and Banking Controls	H	H	L	L	✓		
Bank Reconciliations	H	H	L	L	✓		
Banking Security	H	H	L	L	✓		
REVENUE AND BILLINGS							
Tuition and Health Services Controls	M	M	L	L	•		
GRANTS							
General Processing and Monitoring	M	M	M	L			
Grant Application	M	M	L	L			
Allowable Costs and Compliance	M	M	L	L	•		
PAYROLL							
Payroll Distribution	H	H	L	L		•	
Payroll Accounting and Reporting	H	H	L	L		•	
Tax Filings and Reconciliation process	M	M	L	L		•	
Separation Payments	H	H	L	L		•	
HUMAN RESOURCES							
Employment Requisition and Hiring	M	M	L	L		•	
Employment Termination	M	M	L	L		•	
Employee Attendance	H	H	L	L		•	
HEALTH BENEFITS & RETIREES HEALTH							
Eligibility	M	M	L	L	•		
Benefits Calculations	M	M	L	L	•		
Retiree Health Insurance	H	H	L	L			
PURCHASING & RELATED EXPENDITURES							
Purchasing Process and Purchase Order System	H	H	L	L		•	■
Payment Processing	H	H	L	L		•	■
Travel and Conferences	H	H	M	L			■

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Appendix A

<i>Legend</i>		
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BUSINESS PROCESSES & SUBPROCESSES	<i>Inherent Risk</i>		<i>Control Risk</i>		<i>Audit Plan</i>		
FACILITIES & CAPITAL PROJECTS	12/31/13	12/31/14	12/31/13	12/31/14	2013	2014	2015
Facilities Maintenance	H	H	L	L		•	
Construction Planning and Monitoring	M	M	L	L		•	
Final Building Projects Reports	H	H	L	L		•	
CAPITAL ASSETS	12/31/13	12/31/14	12/31/13	12/31/14	2013	2014	2015
Acquisition, Disposal and Capitalization Policy	H	H	L	L	•		■
Inventory Tracking	H	H	L	L			■
FOOD SERVICE OPERATIONS	12/31/13	12/31/14	12/31/13	12/31/14	2013	2014	2015
Federal and State Reimbursement	M	M	L	L		✓	
Sales Cycle	H	H	M	M		✓	
Inventory and Purchasing	M	M	L	L		✓	
Eligibility Verification	M	M	L	L		✓	
Vending Machines	H	H	L	L		✓	
EXTRA CLASSROOM ACTIVITY FUND	12/31/13	12/31/14	12/31/13	12/31/14	2013	2014	2015
General Controls	H	H	L	L	✓	•	
Cash, Cash Receipts and Disbursements	H	H	L	L	✓	•	
INFORMATION TECHNOLOGY	12/31/13	12/31/14	12/31/13	12/31/14	2013	2014	2015
Governance	M	M	M	M			
Network Security	H	H	M	L			
Financial Application Security	H	H	L	L	•		
Disaster Recovery	H	H	L	L	•		
Permissions	H	H	L	L			
STUDENT RELATED DATA AND SERVICES	12/31/13	12/31/14	12/31/13	12/31/14	2013	2014	2015
Student Attendance	H	H	L	L		•	
Student Performance Data	H	H	L	L		•	
Student Security and Safety	H	H	L	L		•	
TRANSPORTATION SERVICES	12/31/13	12/31/14	12/31/13	12/31/14	2013	2014	2015
Student Transportation	M	M	L	L		•	
Transportation Contracts	L	L	L	L		•	
Transportation State Aid	M	M	L	L		•	
STUDENT SERVICES	12/31/13	12/31/14	12/31/13	12/31/14	2013	2014	2015
STAC	H	H	L	L		•	
Medicaid	H	H	L	L			