



Jericho Union Free School District

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

June 2021

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES**

The Board of Education
Jericho Union Free School District

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

We have updated our June 2020 Risk Assessment by performing certain internal audit procedures pertaining to the time period starting July 1, 2020 through June 30, 2021. The updated Risk Assessment and related internal audit plan concentrates on the following key internal control areas:

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

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

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

Very truly yours,

Nawrocki Smith LLP
August 5, 2021



Jericho Union Free School District

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June 2021

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RISK ASSESSMENT OVERVIEW

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

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

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

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

INTERNAL AUDIT OBJECTIVES

The objectives of our engagement are as follows:

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

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SCOPE AND METHODOLOGY

The Board of Education has engaged Nawrocki Smith as the District's internal auditor. In compliance with New York State Laws, we have performed an annual update to the District risk assessment with respect to policies, procedures, and internal controls pertaining to District operations. The procedures applicable to the annual update of the District's risk assessment were performed during the twelve months ending June 2020 and were carried out in order to determine an internal audit plan for fiscal year 2020/2021 and thereafter. This risk assessment will be updated annually to reflect any changes in the current control environment and the existing internal audit plan.

Our risk assessment consisted of the following methodology:

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

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

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

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INTERNAL AUDIT RISK ASSESSMENT UPDATE SUMMARY

We have analyzed twenty-one (21) Business Process areas within the District and have developed an internal audit plan based upon our assessment of each area. Each of the twenty-one (21) Business Processes contains multiple categories for which an extensive cycle analysis will be performed during the proposed time period noted within the risk rating and internal audit plan. The plan as presented will be revised each year based upon the annual risk assessment update and events/requests that occur during the year which impact the priority of future internal audit services.

The results of our initial risk assessment are summarized below and, in the tables, presented on pages 5 through 7. We have utilized a “Low,” “Moderate,” and “High” control risk rating assessment scale of the organization.

CURRENT YEAR RATINGS		CHANGE FROM PRIOR YEAR	
<u>Rating</u>	<u>2020/2021</u>	<u>Category (*)</u>	<u>Count</u>
High	- 0.00%	“High” to “Low”	- 0.00%
Moderate	2 2.17%	“High” to “Moderate”	- 0.00%
Low	90 97.83%	"Moderate" to “Low”	- 0.00%
Total	92 100.00%	“Low” to “Moderate”	- 0.00%
		“N/A” to “Low”	9 100.00%
		Total	9 100.00%

The June 2021 risk assessment update contains no current year recommendations.

The June 2020 risk assessment update report contained no recommendations.

We have summarized below areas we recommend the District consider for the selection of one (1) intensive cycle analyses to be performed during the fiscal year 2021/2022:

<u>Cycle Reviews:</u>	<u>Other 2021/2022 Planned Internal Audit Services:</u>	
Cybersecurity	<ul style="list-style-type: none"> • Key Control/Other Testing (See “T” categories on pages 5-7) 	<ul style="list-style-type: none"> • Annual Risk Assessment Update as of June 2022
	<ul style="list-style-type: none"> • Student Data Management Cycle Recommendations Follow-Up 	<ul style="list-style-type: none"> • Other Internal Audit Services at the Request of the District/BOE
	<ul style="list-style-type: none"> • External Audit Corrective Action Plan Monitoring 	

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Risk Rating and Internal Audit Plan

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

X = Proposed Business Cycle Review
T = Proposed Key Control Testing

	Business Process	Business Process Categories	RISK			YEAR OF SERVICE		
			Inherent	Control		Prior	21-22	Subsequent
				19-20	20-21			
1	Governance and Planning	1 Governance Environment	H	L	L			X
		2 Control Environment / Policies & Proc.	H	L	L	√		X
2	Budget Development	3 Budget Development	H	L	L	√		X
		4 Budget Monitoring & Reporting	M	L	L		T	X
3	Accounting & Reporting	5 Financial Accounting and Reporting	H	L	L	★	T	
		6 External/Internal/Claims Auditing	H	L	L	★		
		7 Fund Balance Management	H	L	L	★		
4	Revenue and Cash Management	8 Real Property Tax	M	L	L	★		
		9 State Aid	H	L	L	★		
		10 Out of District Tuition/Reimb. Exp.	M	L	L	★		
		11 Use of Facilities	L	L	L	★		
		12 Donations	M	L	L	★		
		13 Vending Machines	H	L	L	★		
		14 Cash Receipts	H	L	L	★	T	
		15 Cash & Investment Management	H	L	L	★		
		16 Petty Cash	L	L	L	★		
		17 Bank Reconciliations	H	L	L	★	T	
		18 Online Banking	H	L	L	★		
19 Accounts Receivable	H	N/A	L	★				
5	Grants	20 General Processing	H	L	L	★		
		21 Grant Application	M	L	L	★		
		22 Allowable Costs & Expenditures	H	L	L	★		
		23 Monitoring	M	L	L	★		
		24 Reporting	H	L	L	★		
6	Payroll	25 Payroll Disbursements	H	L	L	★		X
		26 Overtime Reporting	H	L	L	★		X
		27 Payroll Accounting & Reporting	H	L	L	★		X
		28 Payroll Tax Filings	H	L	L	★		X
		29 Payroll Reconciliation	H	L	L	★		X
7	Human Resources	30 Employment Requisition/Hiring	H	L	L	★		
		31 Personnel Evaluation	H	L	L	★		
		32 Termination	H	L	L	★		
		33 Employee Attendance	H	L	L	★		

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Risk Rating and Internal Audit Plan (Continued)

√ = Internal Audit Services Provided	X = Proposed Business Cycle Review
★ = Business Cycle Review Complete	T = Proposed Key Control Testing

	Business Process	Business Process Categories	RISK				YEAR OF SERVICE		
			Inherent	Control		Prior	21-22	Subsequent	
				19-20	20-21				
8	Benefits	34 Eligibility	H	L	L	★		X	
		35 Benefit Calculations	H	L	L	★		X	
		36 Patient Protection & Affordable Care Act	H	L	L	★		X	
		37 Retiree Benefits	H	L	L	★		X	
		38 ERS/TRS	H	N/A	L	★		X	
9	Purchasing and Related Expenditures	39 PO System & Vendor Database	H	L	L	★			
		40 Purchasing Process	H	L	L	★	T		
		41 Payment Processing	H	L	L	★			
		42 Employee Reimbursements	H	L	L	★			
		43 Credit Cards	H	L	L	★			
10	Facilities Maintenance	44 Facilities Maintenance/Work Orders	H	L	L	★			
		45 Staff Supervision	M	N/A	L				
		46 Preventive Maintenance	M	N/A	L				
		47 Coordination with Outside Vendors	H	N/A	L				
11	Capital Projects	48 Construction Planning & Monitoring	M	L	L	★			
		49 Capital Project Funding & Payments	M	L	L	★			
		50 Recordkeeping & Reporting	H	L	L	★			
12	Fixed Assets	51 Inventory/ Capitalization Policy	H	L	L	★			
		52 Acquisition and Disposal	L	L	L	★			
		53 Inventory Process & Recordkeeping	H	L	L	★			
13	Food Service	54 Sales Cycle and System	M	L	L	★			
		55 Inventory and Purchasing	M	L	L	★			
		56 Free & Reduced Meals	M	L	L	★			
		57 Federal and State Reimbursement	H	L	L	★			
		58 Financial Reporting & Monitoring	M	L	L	★			
14	Extraclassroom Activity Fund	59 General Controls	H	L	L	★			
		60 Revenue	H	L	L	★			
		61 Expenditures	M	L	L	★			
		62 Reporting	H	L	L	★	T		

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Risk Rating and Internal Audit Plan (Continued)

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	Business Process	Business Process Categories	RISK			YEAR OF SERVICE		
			Inherent	Control		Prior	21-22	Subsequent
				19-20	20-21			
15	Information System	63 Governance	H	L	L	★		
		64 Inventory	M	L	L	★		
		65 Network Security	H	M	M	★		
		66 Application Security	H	L	L	★		
		67 Physical Security	H	L	L	★		
		68 Disaster Recovery	H	L	L	★		
16	Cybersecurity	69 General Controls	H	L	L		X	
		70 Information & Asset Security	H	L	L		X	
		71 Vulnerability Assessment	H	M	M		X	
		72 Incident Response & Recovery	H	L	L		X	
17	Student Data Management	73 Registration & Enrolment	H	L	L	★		
		74 Student Attendance	H	L	L	★		
		75 Student Performance	H	L	L	★		
		76 Student Eligibility	H	N/A	L			
18	Pupil Personnel Services	77 Budgeting and Planning	H	L	L	★		
		78 STAC Reimbursement	H	L	L	★		
		79 Medicaid Reimbursement	H	L	L	★		
		80 RFP and Contracts	H	L	L	★		
19	Transportation	81 Fleet Inventory and Maintenance	H	L	L	★		
		82 Bus Routing and Planning	H	L	L	★		
		83 Labor and Supervision	H	L	L	★		
		84 Contract Management	H	L	L	★		
		85 Federal and State Reimbursement	H	L	L	★		
20	Safety & Security	86 Plan Development & Strategy	H	L	L	★		
		87 Building Access & Security System	H	L	L	★		
		88 Compliance and Incident Reporting	H	L	L	★		
		89 Safety & Security Monitoring	H	L	L	★		
21	Insurance / Risk Management	90 General	H	N/A	L			X
		91 Policy Management	H	N/A	L			X
		92 Claims Reporting	H	N/A	L			X

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Inherent Risk - Inherent risk pertains to the overall school district industry. Inherent risk is the risk of a material misstatement may occur assuming the absence of internal controls.

Control Risk - Control risk pertains specifically to the Jericho Union Free School District. Control risk is the risk that a material misstatement will not be detected and corrected by Management's internal controls on a timely basis.

RISK ASSESSMENT OBSERVATIONS AND RECOMMENDATIONS

Current Year Observations and Recommendations

EXHIBITS

Exhibit I History of Internal Audit Reports Issued

Exhibit II Internal Audit Plan for 2021/2022

Jericho Union Free School District
Internal Audit - Nawrocki Smith
History of Internal Audit Reports Issued
July 2006 through June 2020

Report Type	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<u>Cycles:</u>															
Accounting & Reporting	-	-	-	-	-	✓	-	-	-	-	-	-	-	-	-
Benefits	-	-	-	✓	-	-	-	-	-	-	-	-	-	-	-
Extraclassroom Activity Fund	-	✓	-	-	-	-	-	-	-	-	-	-	-	-	-
Facilities/Capital Projects	-	-	-	-	-	-	-	-	-	-	-	✓	-	-	-
Fixed Assets	-	-	✓	-	-	-	-	-	-	-	-	-	-	-	-
Food Service	-	✓	-	-	-	-	-	-	-	✓	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	✓	-	-	-	-
Human Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	✓	-
Information Systems	-	-	✓	-	-	-	✓	-	-	-	-	-	✓	-	-
Payroll	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pupil Personnel Services	-	-	-	-	✓	-	-	-	-	-	-	-	-	-	-
Purchasing & Related Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue & Cash Management	-	-	-	-	✓	-	-	-	-	-	-	-	-	-	-
Safety & Security	-	-	-	-	-	-	-	-	✓	-	-	-	-	-	-
Student Data Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	✓
Transportation	-	-	-	-	-	-	-	✓	-	-	-	-	-	-	-
<u>Key Control Testing:</u>															
Budget Transfers	-	✓	✓	✓	-	-	✓	-	✓	✓	✓	✓	✓	✓	✓
Journal Entries	-	✓	✓	✓	✓	-	✓	-	✓	✓	✓	✓	✓	✓	✓
Collection and Posting of Cash Receipts	-	✓	✓	✓	-	-	✓	-	-	-	-	✓	-	✓	-
Bank Reconciliations and Treasurer's Reports	✓	✓	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Payroll Disbursements	-	-	-	✓	✓	✓	✓	-	✓	✓	-	-	✓	-	✓
Overtime Payments	-	-	-	-	-	-	-	-	-	-	-	-	✓	-	-
Employee Attendance	-	-	-	✓	✓	✓	-	-	-	-	-	✓	-	-	-
Benefit Calculations	-	-	-	-	-	-	✓	-	✓	-	-	-	-	-	-
Cash Disbursements	-	-	✓	✓	✓	-	-	✓	-	✓	✓	✓	✓	-	✓
Fixed Assets Inventory	-	-	-	-	-	-	✓	-	-	-	-	-	-	✓	-
Extraclassroom Activity Fund	-	-	-	-	✓	-	-	✓	-	✓	✓	-	-	-	-
STAC and Medicaid Reimbursements	-	-	-	-	-	-	✓	-	-	-	-	-	-	✓	-
Retiree Insurance	-	-	-	-	-	-	-	-	✓	-	-	-	-	-	-
Vending Machines	-	-	-	-	-	-	-	✓	-	-	-	-	-	-	-
User Permissions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	✓
<u>Other Internal Audit Services:</u>															
Observation of the Fuel Storage and Use Process	-	-	✓	-	-	-	-	-	-	-	-	-	-	-	-
Payroll Payout Audit	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Corrective Action Plan Monitoring	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk Assessment Update	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Jericho Union Free School District

Nawrocki Smith - Internal Audit

2021/2022 INTERNAL AUDIT PLAN

Cycle Review

- **Cybersecurity**

Status

Planned for Sept-21

Key Control Testing

- **Purchasing Process**
- **Cash Receipts**
- **Extraclassroom Activity Funds**
- **Bank Reconciliations**
- **Journal Entries**
- **Budget Transfers**

Status

Planned for Feb-22
Planned for Mar-22
Planned for Mar-22
Planned for Apr-22
Planned for May-22
Planned for May-22

Additional Internal Audit Services

- **Issue Quarterly Status Reports**
- **Annual Risk Assessment Update as of June 2022**
- **Payroll Payout Audit**
- **Other Internal Audit Services at the Request of the District**

Status

Quarterly
Planned for Jun-22
TBD
As Requested

Proposed On-Site Internal Audit Schedule

TBD