

**Glen Cove City School District**  
**Risk Assessment Update Report**  
April 6, 2018

## **Risk Assessment Update Report**

To the Board of Education and Audit Committee  
Glen Cove City School District  
Glen Cove, New York

We have performed the annual risk assessment update of the Glen Cove City School District (District) as required by Chapter 263 of the Laws of New York, 2005 and as per our agreement of July 1, 2017.

This engagement is in accordance with auditing standards generally accepted in the United States of America and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have also considered the guidelines promulgated by the New York State Education Department in connection with such risk assessments.

Specifically, we performed the following:

- Developed an understanding of the critical business processes of the District. These critical business processes included but were not limited to:
  - Governance and planning
  - Accounting and reporting
  - Revenue and cash management
  - Payroll
  - Human resources
  - Benefits
  - Purchasing and related expenditures
  - Grants and special education
  - Facilities and capital projects
  - Capital assets
  - Food Services
  - Extraclassroom activity fund
  - Information technology
  - Student related data and services
- Identified the key risks based on our understanding of these business processes.
- Identified the stated controls that are currently in place to address those risks.

These procedures were accomplished through interviewing District management and accounting and other departmental personnel to determine the flow of accounting information and controls placed in operation. The scope of our engagement did not include testing the operating effectiveness of such controls.

Our procedures were not designed to express an opinion on the internal controls of the District, and we do not express such an opinion. Additionally, because of inherent limitations of any internal control, errors or fraud may occur and not be prevented or detected by internal controls. Also, projections of an evaluation of the accounting system and controls to future periods are subject to the risk that procedures may become inadequate because of changed conditions.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our audit, especially the Business Office personnel.

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

*Cullen & Danowski, LLP*  
April 6, 2018

## GLEN COVE CITY SCHOOL DISTRICT

### Introduction

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Chapter 263 of the Laws of New York, 2005 requires most districts to create an internal audit function. The creation of this function requires districts to engage either a qualified audit firm or individual to make an initial risk assessment of the design of the district's internal controls; annually update this assessment; and, periodically test these controls for operational effectiveness and efficiency. This report addresses the second requirement, which is an annual risk assessment update.

Internal controls are the checks and balances over the various processes or functions that comprise the operations of a district. One key element in any internal control system is the concept of **segregation of duties**. This concept ensures that one person cannot execute a transaction without at least one other individual checking his or her work. Of course, where segregation of duties is not feasible, the district can employ compensating controls.

Nevertheless, there are some important concepts that should be understood when reviewing internal controls.

These concepts are:

- An internal control system is designed to provide reasonable but not absolute assurance in safeguarding the assets of the district.
- The concept of reasonable assurance recognizes that the cost of the internal control should not exceed the benefits derived.
- There are inherent limitations that should be recognized in considering the potential effectiveness of any internal control system, e.g., errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. More importantly, it is **collusion** that poses the greatest threat to any internal control system. If two employees collude in order to circumvent the controls set up by the district, they could perpetrate a fraud.

The initial risk assessment required the internal auditor to obtain an understanding of both the inherent and control risks associated with the various functions within the District. The risk assessment update requires the internal auditor to identify the changes in procedures, policies, personnel, and systems that may have an impact on these risks and possibly alter the initial risk assessment's level of control risk.

**Control risk** measures the adequacy of internal controls designed to mitigate the inherent risk within the process. In this engagement, we have assessed the control risk based upon our interview process. The testing of the controls, which is performed during the detailed testwork, could support the lowering of the initial control risk assessment associated with individual processes and sub-functions.

We have organized this report into the following two sections:

The first section is a risk assessment table. In this table, we identify the processes or functions that we have reviewed. This table includes our assessment of the control risk associated with each process. There are two control risk columns to reflect the prior year risk assessment level and the current year risk assessment level based on the results of the risk assessment update as well as the detailed testwork performed for selected processes. **Since the testing of controls has not been done for all processes, it is important to note that this table should not be viewed as the final assessment of the District's control environment.** The Risk Assessment Table also includes our suggestions for processes to be tested during the coming year. However, the decision of which processes to review in detail is at the discretion of the Audit Committee.

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The second section of this report consists of any changes from the prior year risk assessment related to key policies, procedures and/or controls of the functions we reviewed. Also included in this section are any new recommendations and the status of any prior year recommendations (note that this text is in *italics*), for areas of potential improvement in the District's internal controls or operations. The status of prior year recommendations from the following reports was addressed in this year's risk assessment:

<b>Report Type</b>	<b>Issue Date</b>	<b>Area(s)</b>
Risk Assessment	April 3, 2017	District-wide
Agreed-Upon Procedures	December 5, 2016	Employee Benefits Administration, Billings and Receipts

The changes and recommendations have been considered in the assessment of the level of control risk. Some of the recommendations may require a reassignment of duties and/or an addition to District personnel. However, any enhancement of controls should be done after a careful cost-benefit analysis.

**Corrective Action Plan**

Commissioner of Education Regulation (CR) §170.12(e)(4) requires that a corrective action plan, approved by the Board of Education, must be filed within 90 days of issuance with the New York State Education Department (NYSED).

The District should submit the Corrective Action Plan (CAP) along with the respective Internal Audit Report via the NYSED Portal.

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**Risk Assessment Table**  
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(L=Low, M=Moderate, H=High)

<b>Business Process</b> Area	<b>Date of Detailed Testing*</b>	<b>Control Risk</b>		<b>Proposed Detailed Testing</b>
		<b>Prior Year</b>	<b>Current Year</b>	
<b>Governance and Planning</b>				
Governance & Control Environment		M	M	
Budget Development, Administration, and Fund Balance Management		M	M	
<b>Accounting and Reporting</b>				
Financial Accounting and Reporting		M	M	
Auditing		M	M	
<b>Revenue and Cash Management</b>				
Revenue Management		M	M	
Billings	12/05/16	M	M	
Collections and Posting of Receipts	12/05/16	M	M	
Cash and Investments Management		M	M	✓
Bank Reconciliations		M	M	✓
<b>Payroll</b>				
Payroll Accounting and Reporting	12/06/17	M	M	
Tax Filings and Reconciliations	12/06/17	M	M	
Payroll Distribution	12/06/17	M	M	
<b>Human Resources</b>				
Employment Recruitment and Hiring	12/06/17	M	M	
Employee Administration and Termination	12/06/17	M	M	
Employee Attendance		M	M	
<b>Benefits</b>				
Administration	12/05/16	M	M	
Payments and Cost Sharing	12/05/16	M	M	
<b>Purchasing and Related Expenditures</b>				
Purchasing System and Process	01/29/15	M	L	
Payment Process	01/29/15	M	L	
Credit Cards		M	M	
<b>Grants and Special Education</b>				
General Processing/Monitoring		M	M	
Special Education	03/10/16	M	L	
<b>Facilities and Capital Projects</b>				
Facilities Maintenance & Operations	03/10/16	M	M	
Capital Projects	03/10/16	M	L	

\* Indicates the issuance date of an agreed-upon procedures (AUP) report related to that area.

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(L=Low, M=Moderate, H=High)

<b>Business Process</b> Area	<b>Date of Detailed Testing*</b>	<b>Control Risk</b>		<b>Proposed Detailed Testing</b>
		<b>Prior Year</b>	<b>Current Year</b>	
<b>Capital Assets</b>				
Acquisition and Disposal		M	M	
Maintenance and Inventories		M	M	
<b>Food Service</b>				
Sales Cycle and System		M	M	
Purchasing and Inventory		M	M	
Federal and State Reimbursements		M	M	
Free and Reduced Lunch		M	M	
<b>Extracurricular Activity Fund</b>				
General Controls and Administration		M	M	✓
Cash Receipts		M	M	✓
Cash Disbursements		M	M	✓
<b>Information Technology</b>				
Governance		M	M	
Network Security		M	M	
Financial Application Security		M	M	
Disaster Recovery		M	M	
<b>Student Related Data and Services</b>				
Student Attendance Data		M	M	
Student Performance Data		M	M	
Student Transportation		H	H	✓
Student Safety and Security		M	M	

\* Indicates the issuance date of an agreed-upon procedures (AUP) report related to that area.

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**KEY CHANGES FROM THE PRIOR YEAR'S RISK ASSESSMENT RELATED TO POLICIES, PROCEDURES  
AND/OR CONTROLS**

**Governance and Planning**

- The District was active with reviewing, revising and adding Board policies.
- There has been continued improvement with the budget development and administration processes.

**Accounting and Reporting**

- The District moved to the new version of the Finance Manager financial system, known as nVision, during December, 2017. This implementation included procedures to review and cleanse the financial system data related to employees, vendors and user accounts. Also, position access control for staff was implemented.

**Revenue and Cash Management**

- The position of District Treasurer/Accountant was filled with a new employee.
- The District changed the general fund operating bank accounts from Capital One to First National of Long Island. The District also closed the Capital One account that was used to record the property taxes, since the City of Glen Cove was the administrator of this account. The District opened a new Capital One account for property taxes where the District is the sole administrator of the account.

**Human Resources**

- The District still has a vacancy related to an administrative position in the Human Resources Department.

**Grants and Special Education**

- There has been continued improvement with the communications and interactions between the Special Education Department and the Business Office related to the management of the grants.

**Food Service**

- There has been increased use of the web-based online payment system (MySchoolBucks.com) related to the prepayments for meals.

**Information Technology**

- The Director of Technical Services retired on June 30, 2017 and we understand that the District plans to fill this position for the 2018-19 year.
- There is a 1 to 1 initiative where the District has provided Chromebooks to 6<sup>th</sup> and 7<sup>th</sup> grade students:
  - The students and parents were encouraged to obtain insurance and sign off on the acceptable use policy (AUP) forms prior to receiving their Chromebooks.
  - The devices were entered into a Google sheet and will also be included in the Destiny Resource Manager module within the existing Destiny Follett program, which is used for the District's library books.
  - They use a Mobile Device Repair spreadsheet to track and monitor the devices being repaired.

**Student Safety and Security**

- The District has enhanced security procedures by installing additional external and internal surveillance cameras at the elementary school buildings.

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**RECOMMENDATIONS (OPEN ITEMS)**

**Revenue and Cash Management**

**Finding and Recommendation – Risk Assessment Update 2017**

**Deputy Treasurer** – We found that the District has filled the district treasurer position with a new employee, as noted in the key changes section above. However, we note that the District does not have a deputy treasurer, which would be beneficial when the District Treasurer is unavailable to perform their treasurer related tasks.

1. We recommend that the District consider appointing a Deputy Treasurer to assist with the duties related to the treasurer role during the absence of the District Treasurer.

**Recommendation – Agreed-Upon Procedures 2016 (December)**

**Accounts Receivable Module - Health Insurance** – We recommended that the District develop procedures to ensure that all health insurance billings were entered into the Accounts Receivable (AR) module, to print the monthly invoices and to mail the invoices to the enrollees. We suggested assigning the task of entering records into the AR module to the Benefits Clerk and enhancing operational efficiencies by eliminating the duplicate efforts of maintaining a separate Excel spreadsheet. In addition, we recommended that the District complete the review of the health insurance billings to ensure the completeness of the data in the AR module, which would improve the handling of health insurance accounts related to overdue balances.

**Risk Assessment Update – 2018**

2. We understand that the District plans to set up the AR module in the new version of the Finance Manager system (nVision) and will assign the AR duties to designated employees.

**Recommendation – Agreed-Upon Procedures 2016 (December)**

**Funds Submitted by the School Programs** – We recommended that the District establish procedures to ensure the completeness of receipts submitted by the schools to the Business Office by requiring the programs (adult education, driver's education, Advanced Placement Exams, NYSSMA, field trips, etc.) to include the list of students to support the amount of funds. In the absence of a list, there was a risk that money was not collected from all students or there were students who had not paid for the activity.

**Risk Assessment Update – 2018**

3. We understand that the District plans to establish procedures requiring the schools to submit a list of students in each of the programs to support the amount of funds submitted to the Business Office and the Accounts Receivable Clerk will verify that all students in the respective programs have paid their fees.

**Recommendation – Agreed-Upon Procedures 2016 (December)**

**Accounts Receivable Module – Use of Facilities** – We recommended that the District develop procedures to use the AR module to enter and create invoices related to the use of facilities to improve the monitoring and accounting of these activities. This would also strengthen the collection process by providing an AR Aging Report to identify any outstanding balances and centralize the invoicing process. We suggested that the Facilities Department send the approval and billing memo to the Business Office to prepare the invoice in the AR module and mail the invoice to the requestor. We also recommended that the District establish procedures to reconcile the fiscal year billings to the actual use of facilities events and formally document

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this process. We suggested printing out a usage report from the Facilities Direct module and agreeing the rental information to the report from the AR module to ensure completeness. In addition, we recommended that the District include the name of the organization along with the school building (e.g., high school, middle school, etc.) in the explanation field to facilitate a review and reconciliation of the FM Detail Account Transactions Report for revenue account A2410 – Rental of Real Property to the use of facilities activity.

*Risk Assessment Update – 2018*

4. *We understand that the District plans to set up the AR module in the new version of the Finance Manager system (nVision). The Assistant Superintendent for Business will provide training for the Facilities Department Secretary and assign this employee the task of creating invoices in the AR module related to facilities usage.*

Recommendation – Agreed-Upon Procedures 2016 (December)

**AR Aging Report** – We recommended that the District establish procedures to review the AR Aging Report monthly and resolve the outstanding AR balances in a timely manner, including the accounts with other school districts over a year past due.

*Risk Assessment Update – 2018*

5. *We understand that the District Treasurer plans to develop procedures to review the AR Aging Report and resolve the outstanding AR balances in a timely manner. We provided information to the District related to unclaimed funds to assist with the implementation of this recommendation.*

**Human Resources**

Recommendation – Risk Assessment Update 2014

**Salary Letters** – We recommended that the District consider generating salary letters on an annual basis, which lists the employee's annual salary for the year along with the respective step, as well as level for teachers.

Risk Assessment Update – 2015+2016

We understood that the District planned to implement this recommendation for the 2016-17 year.

Risk Assessment Update – 2017

We noted that the Human Resources Department developed procedures to provide salary letters to new employees during the hiring process and these letters were signed by the employee then filed in their respective folder. We again recommended that the District consider generating salary letters on an annual basis.

*Risk Assessment Update – 2018*

6. *We understand that the District plans to consider this item for the 2018-19 year.*

Recommendation – Risk Assessment Update 2014

**Employee Contracts or Agreements** – We recommended that the District ensure that there are Board-approved contracts or agreements with all of the employees to clearly outline the entitlements of each person that includes the annual salary and benefits (earned time off [sick, vacation, personal and bereavement days],

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health insurance, other insurances [life, dental, etc.]]. We also recommended that the District formally document the job responsibilities of the two Board-appointed positions (i.e., District Treasurer and District Clerk).

Risk Assessment Update – 2015-2017

We noted that a job responsibility document was developed for the District Treasurer; however, this was not completed for all Board-appointed positions as recommended.

Risk Assessment Update – 2018

7. *We understand that the District plans to address this item for the 2018-19 year.*

**Benefits**

Recommendation – Agreed-Upon Procedures 2016 (December)

**Written, Formal Procedures - Key Processes** – We recommended that the District create written, formal procedures related to key processes performed in the benefits function including reconciling *Employee Change Forms* to the health insurance provider invoice, reconciling *Change In Payroll Deduction Forms* to the payroll deduction register, recording payments for retirees or employees on unpaid leaves of absence, etc.

Risk Assessment Update – 2018

8. *We understand that the Assistant Superintendent for Business plans to work with the Benefits Clerk to develop written, formal procedures as recommended.*

Recommendation – Agreed-Upon Procedures 2016 (December)

**Assign Duties to the Benefits Clerk** – We recommended that the District develop a plan to assign the following duties to the benefits clerk position, since these responsibilities are normally included within this role:

- a) Prepare the annual recalculation of cost allocation and submit the spreadsheet to the Payroll Supervisor for review.
- b) Calculate and include any changes in payroll deduction amounts due to coverage type changes or when an employee returns from an unpaid leave on the *Monthly Change Form* sent to the Payroll Department. The Payroll Supervisor should then review the calculations prior to entry into FM.
- c) Perform monthly insurance reconciliations of the enrollee listing to the District's records. At least quarterly, this review should be a complete reconciliation of covered employees to payroll deduction registers.
- d) Track and enter billings in the Accounts Receivable module of FM for health insurance contributions for retirees, part-time employees who do not have sufficient wages to cover the cost of health insurance, employees on unpaid leaves of absence, individuals on COBRA, etc.

Risk Assessment Update – 2018

9. *We found that the District is in the process of addressing this recommendation.*

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Recommendation – Agreed-Upon Procedures 2016 (December)

**Utilize the Benefits Module** – We recommended that the District utilize the Benefits module in FM to record and track all employees and retirees enrolled in the health insurance plans. We recommended developing procedures to reconcile the information on a periodic basis to the payroll deduction register and the health insurance invoice enrollee listing. Reconciling the invoice to the payroll deduction register and billings to retirees and COBRA enrollees would help ensure that coverage was provided to the appropriate individuals, and that the allocation of costs were accurate.

Risk Assessment Update – 2018

10. *We understand that the District plans to set up the Benefits module in the new version of the Finance Manager system (nVision) and utilize the module to manage the enrollees in the health insurance plans.*

Recommendation – Agreed-Upon Procedures 2016 (December)

**Health Insurance Reconciliation** – We recommended that the District establish procedures to reconcile the amount collected by NYBEAS to the amount that the District is billed for retiree health insurance from NYSHIP to ensure that the records agree.

Risk Assessment Update – 2018

11. *We note that the District established procedures to reconcile the NYSHIP invoice to the NYBEAS information. However, this task is performed by the Accounts Payable Clerk and should be assigned to the Benefits Clerk.*

**Grants and Special Education**

Recommendation – Agreed-Upon Procedures 2016 (March)

**Key Financial Processes – Written, Formal Procedures** – We recommended that the District develop written, formal procedures for key financial processes of the Special Education Department (i.e., review of invoices, preparing contracts/purchase requisitions, budget preparation, grant filings, etc.).

Risk Assessment Update – 2017

We found that the Special Education Department began to develop written, formal procedures. However, these documented procedures needed to be expanded and the Special Education Department needed to develop additional written, formal procedures to document other key financial processes.

Risk Assessment Update – 2018

12. *We understand that the Director of Special Education plans to work with staff to expand and develop additional written, formal procedures related to key financial processes.*

**Facilities and Capital Projects**

Finding and Recommendation – Risk Assessment Update 2018

**Staff Evaluations** – We note that the principals are responsible for completing annual performance evaluations of the custodians assigned to their respective schools. However, we have been informed that not all of these are completed each year. In addition, we understand that the Director of Facilities has not been formally evaluated.

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- 13.** *We recommend that the District establish procedures to complete a formal annual performance evaluations of all the Facilities Department staff including the Director of Facilities.*

Recommendation – Agreed-Upon Procedures 2016 (March)

**Create Inventory List** – We recommended that the Facilities Department create an inventory list of all items that fall under the District’s threshold dollar amount for tagging, to strengthen controls and improve safeguarding of District property that has a risk of potential theft (e.g., small equipment, tools and materials). We also recommended that the Facilities Department perform periodic physical inventories of all assets (i.e., tagged and non-tagged items) and document the results.

Risk Assessment Update – 2017

We noted that the Facilities Department provided the custodians, maintenance workers and grounds staff with spreadsheets and they were in the process of creating inventory lists. We understood that the Facilities Department planned to establish procedures to perform periodic physical inventories after receiving the spreadsheets.

Risk Assessment Update – 2018

- 14.** *We understand that the Director of Facilities plans to establish procedures to perform periodic physical inventories once the process of creating inventory lists are completed.*

**Capital Assets**

Recommendation – Risk Assessment Update 2014

**Information Technology (IT) Inventory** – We recommended that the District establish procedures to perform periodic physical inventories of the IT assets. We also recommended that the District require that staff prepare the standard Asset Transfer Form when moving IT assets and submit the form to the IT Department timely.

Risk Assessment Update – 2015+2016

We understood that the Assistant Superintendent for Business would work with the Director of Technical Services to implement this recommendation for the 2016-17 year.

Risk Assessment Update – 2017

We found that the District decided to use a software program (Destiny Resource Manager) to manage the IT inventory more efficiently. The District used the Destiny Library Management module to manage the assets of the libraries. After completing this initiative, the District planned to establish procedures to perform periodic physical inventories of the IT assets and require staff to prepare and submit the standard Asset Transfer Form timely when IT assets were moved.

Risk Assessment Update – 2018

- 15.** *We note that the Assistant Superintendent of Instruction and Technology is working with the IT Department to establish procedures to perform periodic physical inventories of the IT assets. The District is in the process of taking physical inventories of the IT assets on a school by school basis with the goal of completing this initiative by September 2018.*

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Recommendation – Risk Assessment Update 2014

**Board Policy - Capital Assets** – We recommended that the District consider revising the Board policy related to capital assets (*Accounting of Fixed Assets - #5621*) with regard to the annual inventory. An effective control over capital assets, as well as furniture and equipment, is a physical inventory. However, instead of performing an annual inventory of all capital assets, the District should consider rewording the Board policy to state that this needs to be done in some of the departments each year.

Risk Assessment Update – 2015-2017

We noted that the District had a complete physical inventory performed by a third party (AssetWORKS) during the fall of 2015 and the AssetMAXX database was updated based on the results of the inventory. We understood that the District planned to revise Board Policy #5621 – *Accounting of Fixed Assets* as recommended and considered increasing the capitalization threshold from \$1,000 to \$5,000. We recommended that the District reword the Board policy to state that a physical inventory needs to be done in some of the departments each year to replace the current language requiring a complete annual inventory. Over a three or four-year period, physical inventories should be performed for all departments. According to the New York State Office of the State Comptroller, as part of an inventory control system, the District should conduct a physical inventory of each department and the results of the inventory should be reconciled with the property records on file.

Risk Assessment Update – 2018

16. *We found that the District has changed to a different third party provider (CBIZ) during the fall of 2017. CBIZ completed a district-wide inventory of all capital assets and the District is in the process of reconciling the results with the asset database. In addition, the District is considering revisions to the Board policy related to capital assets (Accounting of Fixed Assets - #5621) with regard to the annual inventory as recommended.*

**Food Service**

Recommendation – Risk Assessment Update 2016

**School Lunch Program - Financial Results** – We recommended that the District establish a plan to review the school lunch program for opportunities to improve the financial results, with the goal of being sustainable by increasing revenues and/or reducing expenditures, since we found that the school lunch program operated at a deficit of \$141,894 for the year ended June 30, 2015. Further review noted that the deficit had significantly reduced the fund balance in the school lunch fund from \$454,390 to \$312,496 at June 30, 2015, which is slightly more than 31%.

Risk Assessment Update – 2017

We noted that the District raised the prices of meals, which helped increase revenues, and there was a reduction of expenditures from the prior school year. This resulted in the school lunch program with less of a deficit of \$42,187 for the year ended June 30, 2016.

Risk Assessment Update – 2018

17. *We note that the District raised prices again for the 2017-18 school year, and the Director of Food Service will continue to monitor the prices of meals. For the year ended June 30, 2017, the deficit was \$71,506 and the total school lunch fund's fund balance was reduced to \$296,488. We recommend that the District consider budgeting a transfer from the general fund to the school lunch fund as part of the annual budget process.*

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**Extraclassroom Activity Funds**

**Recommendation – Risk Assessment Update 2014**

**Middle School (MS) Extraclassroom Clubs** – We recommended that the District establish procedures to ensure that all extraclassroom activity clubs at the MS have student officers participating in all of the club activities, including deposits and disbursements. We also recommended that all clubs have a club charter detailing the purpose of the club and the student officers for the club. Further, we recommended that the Faculty Advisor along with the student officers collect the funds for yearbooks and send the deposits to the Central Treasurer for deposit. Alternatively, the District should look into using an online system to collect money for yearbook sales.

**Risk Assessment Update – 2015-2017**

We noted that the District still needed to address the field trip accounts in the MS. These were not bona-fide clubs, since there were no student officers. In addition, we noted that there were interest accounts at both the MS and High School (HS) with year end balances at June 30, 2015, and these balances are normally allocated to each club or a student government club.

**Risk Assessment Update – 2018**

- 18.** *We found that the central treasurers at the MS and HS have addressed the interest accounts and allocated these funds to the student government clubs. We again recommend that the District address the field trip accounts in the MS because these were not bona-fide clubs, since there were no student officers.*

**Cash Receipts**

**Recommendation – Risk Assessment Update 2014**

**HS School Store** – We recommended that the HS School Store strengthen procedures by providing proper support related to the receipts submitted to the Central Treasurer and implementing inventory controls. We also recommended that the HS School Store submit and support the vending machine sales as part of the deposits submitted to the Central Treasurer.

**Risk Assessment Update – 2015-2016**

We understood that the HS was in the process of revising the School Store Receipt Form and recommended that the School Store implement our recommendations to strengthen the receipts and inventory procedures.

**Risk Assessment Update – 2017**

We noted that the HS School Store was using the revised School Store Receipt Form, but the club still needed to strengthen the receipts and inventory procedures. Since we were informed that the School Store sales consists mainly of numerous low-priced items, preparing lists of products sold and maintaining inventory would be manually intensive. We recommended using funds from the HS School Store account to purchase a point-of-sale system using bar code technology to strengthen the sales, receipts and inventory procedures. We note that there are available funds in the HS School Store club to afford this purchase (balance of \$8,109 at June 30, 2016).

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Risk Assessment Update – 2018

19. *We found that the District is in the process of obtaining pricing for point-of-sale systems and cash registers and plans to make a decision for the 2018-19 school year.*

**Information Technology**

Recommendation – Risk Assessment Update 2014

**Disaster Recovery, Backup Procedures and IT Maintenance** – We recommended that the District improve the disaster recovery and maintenance of IT equipment as follows:

- a) Develop a formal disaster recovery plan and/or contingency plan and subsequently establish procedures to periodically test the plan to ensure its effectiveness.
- b) Create climate controlled environments for the server/network rooms.
- c) Consider setting up a generator at the HS to adequately protect and maintain IT equipment during power outages.

Risk Assessment Update – 2015-2016

We noted that the District contracted with Nassau BOCES for a service to provide additional bandwidth and improved the backup procedures as prerequisites for developing a formal disaster recovery plan. We understood that the District planned to address the recommended improvements during the 2016-17 year.

Risk Assessment Update – 2017

We found that the District improved the backup procedures by utilizing Barracuda, as noted previously, and there was functionality that would provide a minor source of disaster recovery until a formal plan was developed. We understood that the climate controlled environment and the generator were part of the Smart Schools Bond Act with the goal of implementation during the 2017-18 year.

Risk Assessment Update – 2018

20. *We note that the Assistant Superintendent for Instruction and Technology is working with the IT Department to develop a formal disaster recovery plan for the District.*

**Student Related Data and Services**

Recommendation – Risk Assessment Update 2016

**Bus Mileage** – We recommended that the District work with the bus company (Hendrickson) to provide appropriate supporting documentation for mileage and gas usage including the miles per gallon calculation used by Hendrickson, since the contract requires the District to pay for fuel. We recommended that the District require that the miles per gallon calculation be detailed on the vendor's invoice. Additionally, we recommended that the District develop procedures to review the miles per gallon calculation used by Hendrickson.

Risk Assessment Update – 2017

We noted that Hendrickson had been providing monthly calculations with their invoices; however, the documentation related to mileage was not adequate to support the mileage and gas usage. We recommended

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that the District require that Hendrickson provide appropriate documentation to support the miles per gallon calculation and include this information on its monthly invoice. We also recommended that the District develop procedures to review the miles per gallon calculation used by Hendrickson.

*Risk Assessment Update – 2018*

*21. We found that the District Treasurer has been assigned the responsibility of addressing this recommendation.*

Recommendation – Risk Assessment Update 2014

**Gas Purchase Documentation** – We recommended that the District request the documentation related to gas purchases for the last two years to determine whether the amounts billed were appropriate and also require the provider to support the monthly invoice with an appropriate amount of detailed back-up documentation.

Risk Assessment Update – 2015

We understood that the District was in the final stages of calculating fuel requirements for the 2013-14 and 2014-15 school years and would reconcile the amounts with the supplier before the end of the fiscal year.

Risk Assessment Update – 2016

We noted that the District had finalized its reconciliation of the transportation fuel costs for the 2013-14 and 2014-15 school years. The bus company (Hendrickson) was to provide a refund to the District for the agreed-upon amounts. In addition, the District required Hendrickson to submit monthly detailed invoices including fuel and mileage logs. However, our review of the spreadsheet from Hendrickson related to fuel and mileage, found that this documentation was still not adequate.

Risk Assessment Update – 2017

We noted that the District continued to receive the spreadsheet from Hendrickson; however, this documentation was still not adequate. We understood that the District planned to address this matter further.

Risk Assessment Update – 2018

*22. We found that the District Treasurer has been assigned the responsibility of addressing this recommendation.*

**RECOMMENDATIONS (CLOSED ITEMS)**

**Governance and Planning**

Recommendation – Risk Assessment Update 2014

**Multi-year Financial Plan** – We recommended that the District consider developing a multi-year financial plan to provide insight into the medium-term financial condition of the District.

Risk Assessment Update – 2015-2016

We understood that the District planned to develop a multi-year plan after the June 30, 2015 audited financial statements were received. This would allow for a clean starting point, and, combined with the 2015-16 budget, provide the basis for an accurate plan.

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Risk Assessment Update – 2017

We understood that the District planned to address this item during the 2016-17 year; however, staffing issues delayed this implementation.

Risk Assessment Update – 2018 (This item is now closed)

*We note that the Assistant Superintendent for Business created a multi-year financial plan during the 2017-18 year, using the Office of the State Comptroller's template and it will be used for budget planning. Due to the significance of the budget assumptions (e.g., retirement system, health insurance, etc.) this financial plan will only be used for year to year guidance.*

**Revenue and Cash Management**

Recommendation – Risk Assessment Update 2017

**Check Signing - Segregation of Duties** – We recommended that the District assign the check signing responsibility to someone independent of the purchasing and disbursements functions to establish proper segregation of duties and to strengthen internal controls, during the vacancy period of the district treasurer position. We suggested that the District consider authorizing another employee to sign checks and remove this duty from the Assistant Superintendent for Business/Purchasing Agent.

Risk Assessment Update – 2018 (This item is now closed)

*We found that the District Treasurer has been assigned the responsibility of check signing and the Assistant Superintendent for Business no longer has that responsibility resulting in proper segregation of duties.*

Recommendation – Risk Assessment Update 2016

**Receipts – Athletics** – We recommended that the District implement procedures to prepare all bills/invoices, including any billings related to athletics, in the Business Office to establish a centralized billing area and facilitate the invoicing, billing and collections processes.

Risk Assessment Update – 2017

We understood that the District planned to address this item during the 2017-18 year.

Risk Assessment Update – 2018 (This item is now closed)

*We found that the Athletic Department has standard procedures related to the collections of sports uniforms and equipment from the student athletes. This includes sending a letter to the parents or guardians requesting the return of these items if they haven't been submitted to the Athletic Department as required. We understand that in the event that there is a need for invoicing for any uncollected items, the District plans to bill using the AR module in the new version of the Finance Manager system (nVision).*

Recommendation – Agreed-Upon Procedures 2016 (December)

**Triplicate Receipt Form** – We recommended that the District create written, formal procedures in the Business Office related to the pre-numbered triplicate receipt form, which should include documenting the tasks performed and clearly defining the types of deposits, requiring the completion of the pre-numbered triplicate receipt form.

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*Risk Assessment Update – 2018 (This item is now closed)*

*We found that the District has developed written, formal procedures related to the triplicate receipt forms.*

Recommendation – Agreed-Upon Procedures 2016 (December)

**Restrict Payments to Checks or Money Orders** – We recommended that the District establish procedures to require the health insurance enrollees to provide payments via check or money order instead of cash.

*Risk Assessment Update – 2018 (This item is now closed)*

*We note that the District has established procedures to inform health insurance enrollees that cash will no longer be accepted as a means of payment. Also, the District plans to include “check or money order” on the invoices that will be generated from nVision.*

Recommendation – Agreed-Upon Procedures 2016 (December)

**Triplicate Receipt Books at Schools** – We recommended that the District require the use of pre-numbered triplicate receipt books to be used at the schools whenever cash is received at the programs as per CR §170.2 (h) and (i). The original would be issued to the payer, a copy retained in the book held by the collector of funds, and a copy included with the funds submitted to the Business Office for deposit into the bank.

*Risk Assessment Update – 2018 (This item is now closed)*

*We understand that the District has established procedures to require the use of pre-numbered triplicate receipt books at the schools whenever cash is received at the programs. In addition, the Account Receivable Clerk would inform the Assistant Superintendent for Business if there are any instances where cash is received without a receipt, so the Assistant Superintendent for Business could follow up to correct the issue.*

**Human Resources**

**Benefits**

Recommendation – Agreed-Upon Procedures 2016 (December)

**Revise the Teachers’ Contract** – We recommended that the District revise the teachers’ bargaining unit contract to include specific language regarding benefits for part-time employees (e.g., 0.5 FTE or more) and the methodology of computing the employees’ contributions. Consider requiring the part-time employees to pay 100% of the cost related to the percentage difference between their part-time and full-time status. For example, a 0.80 FTE part-time teacher should contribute 20% of the cost plus 50% of the remaining 80% of the cost rather than only 50% of the cost.

*Risk Assessment Update – 2018 (This item is now closed)*

*We note that the District will work with its legal counsel when the teachers’ contract is being negotiated to include more specific and clear language with regard to computing the benefits for part-time employees.*

Recommendation – Agreed-Upon Procedures 2016 (December)

**Defined Open Enrollment Period** – We recommended that the District develop procedures to have a defined open enrollment period for employees to enroll in the District offered insurances. This would limit

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employees to only be able to make changes related to coverage type during the enrollment period, unless there was a life changing event.

*Risk Assessment Update – 2018 (This item is now closed)*

*We found that the Assistant Superintendent for Business has established a defined open enrollment period for employees to be able to process any changes related to their health, dental or life insurance coverages.*

Recommendation – Agreed-Upon Procedures 2016 (December)

**Social Security Numbers** – We recommended that the District contact NYSHIP to discontinue the unnecessary use of the employees' full social security number as an identifier on the enrollee listing. We recommended that the District encourage NYSHIP to use another identifier for employees to safeguard highly sensitive data.

*Risk Assessment Update – 2018 (This item is now closed)*

*We found that the District discussed this matter with NYSHIP, but they were unsuccessful with the request for discontinuing the use of the employees' full social security number on the enrollee listing.*

**Facilities and Capital Projects**

Recommendation – Agreed-Upon Procedures 2016 (March)

**Authorized Approvers** – We recommended that the District prepare a list of authorized approvers and provide a copy to the Payroll Department, so the payroll clerks can verify that the timesheets are approved by the appropriate employees. During our fieldwork, we noted that the Timesheet Form was amended to have the appropriate signature lines on the form.

*Risk Assessment Update – 2017*

We found that the District prepared the list of authorized approvers, but needed to obtain the signatures before the list can be provided to the Payroll Department.

*Risk Assessment Update – 2018 (This item is now closed)*

*We found that the District has obtained the signatures for the list of authorized approvers that has been provided to the Payroll Department.*

Recommendation – Agreed-Upon Procedures 2016 (March)

**Improve Purchasing and Invoice Review Procedures** – We recommended that the District improve the procedures related to the purchasing and invoice review procedures performed in the Facilities Department to:

- a) Include the bid or quote specifications that certified payroll is required when the vendors perform labor-related services (e.g., companies with employees who perform physical work) in compliance with Department of Labor laws. These documents should be reviewed and agreed to the invoice. Additionally, these documents should be attached to the voucher packet and provided to the Claims Auditor for review.
- b) Ensure compliance with the District's purchasing policy, which includes obtaining quotes as required and selecting the lowest responsible bidder. In the event that the Facilities Department does not select the lowest bidder, the reason should be clearly described on the PO.

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- c) Implement processes to ensure that POs are created prior to the Department ordering goods or services to prevent instances of confirming POs.
- d) Attach the signed packing slip to the signed receiving copy of the PO, if feasible, when submitting the paperwork to the Accounts Payable Department for processing of the vendor payment. Additionally, if items are picked up by District employees from a vendor, a procedure should be set-up for a second employee at the District to sign-off that the items were delivered to the District.
- e) Print the pricing information from the bids or state contracts, agree the amounts to the vendor invoices and indicate that this review was completed on the invoice. This printout should be included with the submission to the Business Office and available for the Claims Auditor's review.
- f) Invoices related to natural gas, oil etc. should be accompanied by the delivery ticket and pricing information, which should be compared to the invoice to ensure accuracy. This documentation should also be available for the Claims Auditor's review.
- g) Develop procedures to document that a purchase was due to an emergency circumstance and include any supporting documentation.
- h) Establish procedures to document that a purchase was from a vendor that is a sole source, and obtain a letter from the vendor stating such to validate this scenario.
- i) Document all PO increases on the PO Increase Form and have the form signed by the Purchasing Agent prior to entry into the financial system.
- j) Pricing related to bids, state contracts, etc. should be checked to the invoice to ensure that all prices are accurate. We also recommend that the bid or state contract pricing be attached, electronically if possible, to the PO to facilitate the review process.

Risk Assessment Update – 2017

We noted that the District implemented all of the recommendations listed above, except for the following:

- a) The District is confirming that labor costs are supported by certified payrolls during the review of vendor invoices; however, the POs exclude this information. We recommend that the District include language in the POs that labor costs must be supported by certified payrolls.
- d) The Facilities Department is noting the purpose of the purchases on the receipts when the items are picked up by District employees from a vendor. However, a second signature is still not being obtained related to these purchases.
- e) The Facilities Department still needs to print the pricing information from the bids or state contracts, agree the amounts to the vendor invoices and indicate on the invoice that this review was completed.

Risk Assessment Update – 2018 (This item is now closed)

*We noted that the District has implemented the remaining recommendations (i.e., a, d and e) listed above.*

**Extraclassroom Activity Funds**

**Cash Receipts**

**Recommendation – Risk Assessment Update 2017**

**Middle School (MS) Safe** – We recommended that the District strengthen controls related to the MS extraclassroom activities by purchasing a small safe to replace the lock box. We suggested restricting access to

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the safe to only the appropriate employees, which should be the Central Treasurer and 2 administrators who oversee the MS extraclassroom activities.

*Risk Assessment Update – 2018 (This item is now closed)*

*We found that the District has purchased a safe for the MS with restricted access resulting in stronger controls related to the extraclassroom activities.*

**Information Technology**

**Recommendation – Risk Assessment Update 2017**

**iPads - Insurance Coverage** – We recommended that the District ensure compliance related to handling the costs for repairs of iPads by charging the parents when insurance coverage is declined, as per the acknowledgement/acceptance agreement. We suggested that the District consider requiring the parents to purchase the insurance coverage instead of it being optional.

*Risk Assessment Update – 2018 (This item is now closed)*

*We found that the District has established procedures to charge the parents when insurance is declined. In addition, the District encourages the parents to purchase the insurance coverage, but we have been informed that the District cannot force them to purchase such insurance.*

**Student Related Data and Services**

**Recommendation – Risk Assessment Update 2014**

**Outdated Documents** – We recommended that the District develop a plan for addressing the outdated documents in the safe (i.e., bank vault) at the Administration Building. We suggested that the records be destroyed or filed electronically, using the current scanners/photocopiers, in compliance with the NYSED requirements.

*Risk Assessment Update – 2015-2016*

We understood that the Assistant Superintendent for Business planned to work with the Records Retention Officer to address the outdated documents that were stored in the safe in the Administration Building.

*Risk Assessment Update – 2017*

We noted that the District still needed to address this item.

*Risk Assessment Update – 2018 (This item is now closed)*

*We understand that the District developed a plan for addressing the outdated documents in the safe (i.e., bank vault) at the Administration Building.*

