

Glen Cove City School District

Risk Assessment Update Report

April 3, 2017

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, 2016.

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 3, 2017

GLEN COVE CITY SCHOOL DISTRICT

Introduction

April 3, 2017

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.

GLEN COVE CITY SCHOOL DISTRICT
Introduction (Continued)
April 3, 2017

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:

Report Type	Issue Date	Area(s)
Risk Assessment	April 11, 2016	District-wide
Agreed-Upon Procedures	March 10, 2016	Special Education, Facilities and Capital Projects

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 §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.

The District should send the Corrective Action Plan (CAP) along with the respective Internal Audit Report via mail or email to the addresses listed below. The report needs to accompany the CAP to allow the Office of Audit Services (OAS) to reconcile the District's CAP to the report to ensure all items have been addressed (i.e., CAP is not missing any recommendations).

Submission Information – Mail & Email

New York State Education Department (NYSED)
Office of Audit Services (OAS)
89 Washington Avenue
Room 524 EB
Albany, NY 12234
Fsanda133@mail.nysed.gov

Contact

Office of Audit Services
(518) 473-4516

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Table
 April 3, 2017

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

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

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Table (Continued)
April 3, 2017

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

Business Process Area	Date of Detailed Testing*	Control Risk						Proposed Detailed Testing
		Prior Year			Current Year			
Capital Assets								
Acquisition and Disposal			M			M		
Maintenance and Inventories			M			M		
School Lunch								
Sales Cycle and System			M			M		
Purchasing and Inventory			M			M		
Federal and State Reimbursements			M			M		
Free and Reduced Lunch			M			M		
Extraclassroom Activity Fund								
General Controls and Administration			M			M		
Cash Receipts			M			M		
Cash Disbursements			M			M		
Information Technology								
Governance			M			M		
Network Security			M			M		
Financial Application Security			M			M		
Disaster Recovery			M			M		
Student Related Data and Services								
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.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report
April 3, 2017

GOVERNANCE AND PLANNING

Governance and Control Environment

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Budget Development, Administration and Fund Balance Management

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has continued to improve the budget development and administration processes.

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 2015 audited financial statements were received. This would allow for a clean starting point, and, combined with the 2015-16 budget, would provide the basis for an accurate plan.

Risk Assessment Update – 2017

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

ACCOUNTING AND REPORTING

Financial Accounting and Reporting

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Auditing (External, Internal, and Claims)

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has appointed a new Claims Auditor, who previously held the District treasurer position.
- There has been improvement with the monthly Claims Audit Reports, as the new Claims Auditor includes more details related to the results of their review.
- The District is moving to the new version of the Finance Manager financial system, known as nVision, during the fall of 2017.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

REVENUE AND CASH MANAGEMENT

Revenue Management

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Billings, Collections and Posting of Receipts

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has properly segregated duties related to accounts receivable activities as noted below.

Recommendation – Risk Assessment Update 2016

Segregation of Duties – We recommended that the District establish procedures to properly segregate duties related to accounts receivable activities by assigning the responsibility of posting credits to the accounts receivable balances to someone independent of processing the invoices.

Risk Assessment Update – 2017 (This item is now closed)

We found that the District has assigned the responsibility of posting credits to the Senior Clerk in the Business Office, who is independent of the employee processing the invoices (Assistant Superintendent for Business).

Recommendation – Risk Assessment Update 2016

Receipts – Athletics – We recommended that the District implement procedures to prepare all bills/invoices in the Business Office to establish a centralized billing area and facilitate the invoicing, billing and collections processes. In addition, we recommended that the Business Office consider utilizing the financial system to effectively manage these accounts receivable activities.

Risk Assessment Update – 2017

2. *We understand that the District plans to address this item during the 2017-18 year.*

Cash and Investment Management

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Bank Reconciliations

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- There has been a change in the district treasurer position, which was previously held by the current Claims Auditor as noted above.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

Finding and Recommendation – Risk Assessment Update 2017

Check Signing - Segregation of Duties – We found that during the vacancy of the District treasurer position, the Assistant Superintendent for Business was assigned the check signing duty, which is a segregation of duties and internal control issue because the employee is also the Purchasing Agent.

3. We recommend 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 suggest that the District consider authorizing another employee to sign checks and remove this duty from the Assistant Superintendent for Business/Purchasing Agent. We understand that this responsibility will be assigned to the District Treasurer when this role is filled.

PAYROLL

Payroll Accounting and Reporting

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Tax Filings and Reconciliations

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Payroll Distribution

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

HUMAN RESOURCES

Employment Recruitment and Hiring

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District is in the process of filling the administrator position in the Human Resources Department.

Employee Administration and Separations/Terminations

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls related to this function.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

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

4. *We note that the Human Resources Department has procedures to provide salary letters to new employees during the hiring process and these letters are signed by the employee then filed in their respective folder. We understand that the District plans to address this item for the 2017-18 year.*

Recommendation – Risk Assessment Update 2014

Benefits Agreements – We recommended that the District ensure that there are Board-approved agreements or contracts 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], 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 – 2015-2016

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. We understood that the District planned to complete this recommendation prior to the 2016-17 year.

Risk Assessment Update – 2017

5. *We understand that the District plans to address this item for the 2017-18 year.*

Employee Attendance

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

BENEFITS

Administration

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

Benefits Payments and Cost Sharing

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

PURCHASING AND RELATED EXPENDITURES

Purchasing System and Process

Control Risk Level: Low

Policies, procedures and controls considered to determine the level of control risk:

- The responsibility of obtaining quotes has been assigned to the requisitioners instead of the Assistant Superintendent.

Recommendation – Agreed-Upon Procedures 2015

Claims Auditor – We recommended that the District improve the claims auditing process by revising the Claims Auditor Report submitted to the Board to provide more details including instances of confirming purchase orders (PO), late payments, warrants withheld, sequential numbers of the checks and any other key item that should be noted.

Risk Assessment Update – 2016

We noted that the Claims Auditor Report had been revised, but the review of a sample of reports found that there were no exceptions noted as a result of their reviews. We recommended that the Claims Auditor thoroughly review all warrants and include instances of confirming POs, late payments, voucher packages withheld, any interruption in check numbers, and other key items that should be noted in the Claims Auditor Report.

Risk Assessment Update – 2017 (This item is now closed)

We found that the District has a new Claims Auditor and our review of the first Claims Audit Report for the month of February 2017 included some findings as a result of their review.

Payment Process

Control Risk Level: Low

Policies, procedures and controls considered to determine the level of control risk:

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Credit Cards

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls related to this function.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

GRANTS AND SPECIAL EDUCATION

General Processing and Monitoring

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

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

Special Education

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The Special Education Department has implemented procedures to ensure that contracts with providers are in place and enhanced the monitoring of these costs.
- The Special Education Department was active with addressing recommendations from the Agreed-Upon Procedures Report dated March 10, 2016, as noted in this year's Risk Assessment Update sections below.

Recommendation – Agreed-Upon Procedures 2016

Notifications of Staff Changes and Annual Rollover – We recommended that the District develop procedures to promptly notify the Payroll Department of staff changes from the Special Education Department to ensure that all salary budget code changes are updated timely in Finance Manager. As part of the annual roll-over process, we recommended that the Special Education Director review the list of staff being charged to the Special Education codes.

Risk Assessment Update – 2017 (This item is now closed)

We note that the Special Education Department has created a staff directory by building and title, which includes the aides and teaching assistants. The Assistant Director is responsible for maintaining the staff directory list and works closely with the Payroll Department to communicate any staff changes to ensure that the salary budget code changes are updated timely in Finance Manager. In addition, the Payroll Department provides a list of staff being charged to the Special Education codes to the Assistant Director for review as part of the annual roll-over process.

Recommendation – Agreed-Upon Procedures 2016

Improve Procedures - STAC Forms and AVLs – We recommended that the District improve the timeliness of preparing and filing the System to Track and Account for Children (STAC) Forms to ensure that the District meets the deadlines and allows adequate time to make any necessary amendments. We recommended that the Special Education Department complete the STAC Forms for the 2014-15 school year and file these with the NYSED as soon as possible. In addition, the Special Education Department would prepare and file STAC Forms during the fall each year for the previous fiscal year end. We also recommended that the Special Education Department would establish procedures that require the Director to review and approve all STAC Forms and automated verification listings (AVL) for accuracy and completeness. The District should consider having the Principal Account Clerk in the Business Office also review the STAC Forms and AVLs.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

Risk Assessment Update – 2017 (This item is now closed)

We found that the Special Education Department has improved processes related to STAC forms and AVLs by implementing the procedures as recommended.

Recommendation – Agreed-Upon Procedures 2016

Properly File STAC Forms – We recommended that the District establish procedures to ensure that STAC Forms for students placed in out-of-district facilities, both private and public (i.e., other districts and BOCES), are properly filed when costs exceed the District's thresholds. We recommended that the Special Education Department print the Individualized Education Programs (IEP) details from the IEP Direct system and compare the list of students placed as per the IEP reports to the STAC system to ensure completeness and accuracy.

Risk Assessment Update – 2017 (This item is now closed)

We note that the Special Education Department has implemented procedures to ensure that STAC forms are filed properly for students placed in out-of-district facilities.

Recommendation – Agreed-Upon Procedures 2016

In-District Students - High-Cost Review – We recommended that the District develop procedures to perform a thorough review of all in-district students who may reach or exceed the District's high-cost aid threshold. This would include students receiving significant services (e.g., full-time aid, related services daily, etc.) and attending classes with a low number of students (e.g., 6-1-1, 8-1-1, etc.) The STAC Clerk would prepare worksheets for these students with all appropriate costs clearly detailed then enter the STAC Forms into the NYSED website. We recommended that the worksheets be reviewed by the Director and possibly the Principal Account Clerk. These documents should then be filed within the Special Education Department.

Risk Assessment Update – 2017 (This item is now closed)

We note that the Special Education Department has developed procedures, in coordination with the consultant (Management Advisory Group [MAG]), to perform thorough reviews of all in-district students to determine if the costs reach or exceed the District's high-cost aid threshold.

Recommendation – Agreed-Upon Procedures 2016

Improve Recordkeeping Procedures – We recommended that the District improve the recordkeeping procedures in the Special Education Department by maintaining a binder with all STAC Forms and AVLs that were prepared and filed for the District for each school year. The STAC Forms would include any backup documentation in order to facilitate a review by an independent person.

Risk Assessment Update – 2017 (This item is now closed)

We found that the Special Education Department has improved the recordkeeping procedures by maintaining a binder with all STAC Forms and AVLs that are prepared and filed for the District for each school year.

Recommendation – Agreed-Upon Procedures 2016

Review Student Placements – We recommended that the District review the placement of the students attending the facility that were not on the list of New York State (NYS) approved private schools. In the future, a memo would be written to explain the reason why any student is placed in a non-approved facility.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

Risk Assessment Update – 2017 (This item is now closed)

We note that the Special Education Department has addressed this matter and, currently, there are no students attending any facilities that are not on the list of NYS approved private schools. If a student is placed in a non-approved facility in the future, then a memo must be written to explain the reason for such placement.

Recommendation – Agreed-Upon Procedures 2016

Prevent Confirming POs – We recommended that the District implement processes to ensure that POs are created prior to the Special Education Department receiving goods or services to prevent instances of confirming POs. In the event of staff changes, we recommended that the Special Education Department seek assistance to handle key financial tasks during these transitions.

Risk Assessment Update – 2017 (This item is now closed)

We have been informed that there has been improvement with reducing the occurrences of confirming POs and the District is continuing efforts to further reduce these instances.

Recommendation – Agreed-Upon Procedures 2016

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

6. *We found that the Special Education Department has begun to develop written, formal procedures. However, these documented procedures need to be expanded and the Special Education Department should develop additional written, formal procedures to document other key financial processes.*

FACILITIES AND CAPITAL PROJECTS

Facilities Maintenance and Operations

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The Facilities Department has improved procedures that include addressing items from the Agreed-Upon Procedures Report dated March 10, 2016, as noted in the Risk Assessment Update sections below.

Recommendation – Agreed-Upon Procedures 2016

Use of Facilities - Prepare Standard Hourly Rate – We recommended that the District develop a standard hourly rate related to the use of facilities that includes either an average of the rate of the employees to be working or the highest rate of any possible employee to be working, plus social security taxes and all applicable retirement system costs.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

Risk Assessment Update – 2017 (This item is now closed)

We note that the District established a standard hourly rate related to the use of facilities billings.

Recommendation – Agreed-Upon Procedures 2016

Work Order System – We recommended that the District establish procedures to enter a complete description into the work order system. There should be sufficient details for the Facilities Department staff to be able to complete the requested work without having to contact the requestor for additional information.

Risk Assessment Update – 2017 (This item is now closed)

We found that the Facilities Department has established procedures to require the requestors to enter a complete description into the work order system. If necessary, the requestor could add an attachment to the work order system when submitting the request.

Recommendation – Agreed-Upon Procedures 2016

District Vehicles – Monitor Fuel Usage – We recommended that the District develop procedures related to District vehicles by utilizing an Excel spreadsheet to improve the tracking and monitoring of the fuel usage (gasoline and diesel) of each District vehicle, to ensure that there is no misappropriation of usage and that the miles per gallon is reasonable. We also recommended establishing a formal process to handle any excessive mileage or fuel usage that is identified.

Risk Assessment Update – 2017 (This item is now closed)

We note that the District is using the VAX system to monitor fuel purchases for District vehicles and the Facilities Department is utilizing an Excel spreadsheet to improve the tracking and monitoring of fuel usage. We understand that the Facilities Department reviews the spreadsheet and attaches it to the monthly fuel invoice.

Recommendation – Agreed-Upon Procedures 2016

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

7. *We note that the Facilities Department has provided the custodians, maintenance workers and grounds staff with spreadsheets and they are in the process of creating inventory lists. We understand that the Facilities Department plans to establish procedures to perform periodic physical inventories after receiving the spreadsheets.*

Recommendation – Agreed-Upon Procedures 2016

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.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

Risk Assessment Update – 2017

8. *We note that the District has prepared the list of authorized approvers and needs to obtain the signatures before the list can be provided to the Payroll Department.*

Recommendation – Agreed-Upon Procedures 2016

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.
- 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 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

9. *We note that the District has 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.*

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

- 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. We again recommend that the District develop procedures to require a second employee sign-off that the items were delivered to the District when items are picked up by District staff from a vendor.*
- e) *We again recommend that the Facilities Department 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.*

Capital Projects

Control Risk Level: Low

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Recommendation – Agreed-Upon Procedures 2016

Close Projects – We recommended that the District close out the 4 projects in the Supplemental Schedule by filing the Final Cost Report with the NYSED by June 2016.

Risk Assessment Update – 2017 (This item is now closed)

We found that the District has filed the Final Cost Reports with the NYSED and closed out the 4 projects.

Recommendation – Agreed-Upon Procedures 2016

High School Track Lighting Project – We recommended that the District inquire with legal counsel to determine the status of the lawsuit related to the high school (HS) track lighting project and make efforts to resolve this matter to close out the project.

Risk Assessment Update – 2017

We note that the District has encumbered the funds related to this matter.

CAPITAL ASSETS

Acquisition and Disposal

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Maintenance and Inventories

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls related to this function.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

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

10. *We found that the District has decided to use a software program (Destiny Inventory Management) to manage the IT inventory more efficiently with the goal of having this in place for the 2017-18 year. The District currently uses the Destiny Library Management module to manage assets of the libraries. After completing this initiative, the District plans 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 are moved.*

Recommendation – Risk Assessment Update 2014

Capital Assets – We recommended that the District consider revising the Board policy related to capital assets (*Accounting of Fixed Assets* - #5621) with regards 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 – 2015-2016

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 – 2017

11. *We understand that due to staff changes in the Business Office, the District has been unable to address this item.*

Recommendation – Risk Assessment Update 2014

Tracking and Managing Textbooks – We recommended that the District establish procedures to track and manage the textbooks for students attending non-public schools more efficiently. We suggested using iPads and bar code scanners to track the textbooks and setting up an online process for parents to enter their book requests.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

Risk Assessment Update – 2015-2016

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

Risk Assessment Update – 2017 (This item is now closed)

We note that the District attempted to have this process moved to Textbook Central through Nassau BOCES; however, many of the parochial and private schools did not agree. Thus, the District has decided to use the Destiny Library Management software to manage the textbooks, which will replace the current manual procedures.

FOOD SERVICES

Sales Cycle and System

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- There has been increased use of the web-based online payment system (MySchoolBucks.com), since this was set-up during the prior 2015-16 year.

Recommendation – Risk Assessment Update 2016

Negative Balances – We recommended that the District develop a plan to address the issue related to students with negative balances, and establish procedures to control the students' school lunch balances, since the overall negative balance was \$13,421 at June 30, 2015, and increased to \$18,275 at March 8, 2016. We noted that the District had established a Board policy related to charging meals and a copy of this policy accompanies the "negative balance" letter that is periodically provided to the parents/guardians. We suggested that the District consider sending automated phone calls weekly to the parents/guardians when the students' balance is near zero or negative.

Risk Assessment Update – 2017 (This item is now closed)

We found that the District has established procedures to follow the Board Policy #5662 – Meal Charge Policy to limit the number of charges to 3 meals per student to help control the issue related to negative balances. We understand that the District is looking to link the Food Service Program's Nutrikids point-of-sale system to School Messenger for automated calls to parents/guardians to inform them about students with low or negative balances.

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%.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

Risk Assessment Update – 2017

12. *We note that the District has 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.*

Purchasing and Inventory

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Federal and State Reimbursements

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Free and Reduced Lunch

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

EXTRACLASSROOM ACTIVITY FUNDS

General Controls and Administration

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The Middle School Central Treasurer provided each club with a profit and loss statement to facilitate the student treasurers' recordkeeping of the clubs' financial activities.

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 – 2015-2016

We noted that the District still needed to address the field trip accounts in the MS because 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 HS with year end balances at June 30, 2015, and these balances are normally allocated to each club or a student government club.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

Risk Assessment Update – 2017

13. *We found that the District still needs to address this recommendation.*

Cash Receipts

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The HS has created a new deposit form to require the clubs to include more information related to the receipts submitted to the Central Treasurer.

Finding and Recommendation – Risk Assessment Update 2017

Middle School (MS) Safe – *We found that the safeguarding of receipts at the MS could be improved, since the extraclassroom activities uses a small lock box that could be easily removed from the vault and accessed easier than a safe.*

14. *We recommend that the District strengthen controls related to the MS extraclassroom activities by purchasing a small safe to replace the lock box. We suggest restricting access to the safe to only the appropriate employees, which should be the Central Treasurer and 2 administrators who oversee the MS extraclassroom activities.*

Recommendation – Risk Assessment Update 2014

Controls Related to Receipts – We recommended that the District strengthen controls related to receipts, particularly cash, at the club level since the collection of funds has a high level of inherent risk, to ensure completeness and timeliness of the funds submitted to the Central Treasurer. In order to facilitate the pre-audit and recording of receipts, statements should be made by those collecting money. Such a statement should, on its face, include all of the essential data for a complete check and audit of the receipts. We recommended that the forms used to account for transactions be revised to provide an expanded comment or description section. The club advisor could then fully explain the transaction and completely account for the items by documenting the purchase information and utilize pre-numbered receipts or tickets (i.e., number of items purchased, number of items sold and number of left over items).

Risk Assessment Update – 2015-2016

We noted that the MS had improved controls related to receipts by creating new forms as noted above. We recommended that the District require the HS to strengthen controls over its deposits by creating and utilizing a Profit and Loss Statement and an Inventory Control/Admissions Deposit Form, similar to the MS.

Risk Assessment Update – 2017 (This item is now closed)

We found that the HS has created a new deposit form as noted above, and this has improved the receipts process because the clubs are required to provide explanations and information to support the deposits.

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

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)

April 3, 2017

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

15. *We found that the HS School Store is using the revised School Store Receipt Form, but the club still needs to strengthen the receipts and inventory procedures. Since we have been 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 recommend using funds from the HS School Store account to purchase a point-of-sale system using bar code technology to improve and 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).*

Cash Disbursements

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

INFORMATION TECHNOLOGY

Governance

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has included acceptance of the *Acceptable Use Policy* as part of the user log-in process. Every time a student or staff member logs on to a computer, the user will need to click the box "I Accept/ Agree" to the *Acceptable Use Policy*.
- The District rolled out a 1-to-1 initiative by providing every 6th grader (250 students) an iPad for this 2016-17 year. They use AirWatch mobile device management software to monitor these devices.
- The District is moving to the newest version of the Finance Manager financial system (nVision) during the spring of 2017.
- Due to a malware situation, there have been enhancements that include using a third party device (Barracuda) to enhance the backup procedures of the District's key programs (e.g., student management system, financial system, emails, etc.) and setting up more sophisticated anti-virus software.

Finding and Recommendation – Risk Assessment Update 2017

iPads - Insurance Coverage – *We found that the District has provided all 6th graders with iPads, which required the parents and students to sign a formal acknowledgement/acceptance agreement regarding the device. Further review noted that the insurance coverage for the iPads is \$43 per year, but this is optional for the parents. In the event that the parents decline such insurance, the parents are responsible for costs related to repairs or replacements (\$500 per unit). However, we have been informed that there were 154 instances when the parents*

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

declined the insurance and the District ended up covering repair costs totaling \$1,190 related to 10 damaged iPads that were not insured by the parents.

- 16.** *We recommend 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 suggest that the District consider requiring the parents to purchase the insurance coverage instead of it being optional.*

Network Security

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has established password change procedures that require all users to change their passwords immediately as per the Active Directory policy. The password must meet the Microsoft complex requirements that includes a minimum of 6 characters and must contain 3 of the 4 following items: upper case letter, lower case letter, number and special character.

Recommendation – Risk Assessment Update 2014

Employee Separation Process – We recommended that the District improve the employee separation process by establishing formal procedures where the Personnel Department provides timely communications to the Information Technology (IT) Department and the database administrators to inactivate the separated employees' user accounts and system accesses.

Risk Assessment Update – 2015-2016

We noted that the District still needed to implement this recommendation.

Risk Assessment Update –2017 (This item is now closed)

We note that the District has established formal procedures requiring the Personnel Department to send emails to the appropriate system administrators requesting them to inactive the separated employees' user account and access. In addition, the District has created a standard form (Employee Exit Checklist) that is completed during the employee separation process and also provided to the system administrators as a backup to the email.

Financial Application Security

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Disaster Recovery

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls related to this function.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

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

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

STUDENT RELATED DATA AND SERVICES

Student Attendance Data

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has further improved student attendance procedures by establishing additional requirements related to the students swiping their ID cards at the ScholarChip kiosks at the schools.

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

18. *We note that the District still needs to address this item.*

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

Student Performance Data

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has set up the new version of the Grade Book in the student management system (PowerSchool) and also moved to newest version of PowerSchool.

Student Transportation

Control Risk Level: High

Policies, procedures and controls considered to determine the level of control risk:

- The District revised the mileage parameters related to student transportation.

Recommendation – Risk Assessment Update 2016

Bus Mileage – We recommended that the District work with the transportation company (Hendrickson) to provide appropriate supporting documentation for mileage and gas usage including the miles per gallon calculation used by the bus company, 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 the bus company.

Risk Assessment Update – 2017

19. *We found that the transportation company has been providing monthly calculations with their invoices, however, the documentation related to mileage is not adequate to support the mileage and gas usage. We again recommend that the District require that the transportation company provide appropriate documentation to support the miles per gallon calculation and include this information on its monthly invoice. We also recommend that the District develop procedures to review the miles per gallon calculation used by the bus company.*

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 transportation 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.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
April 3, 2017

Risk Assessment Update – 2017

20. *We note that the District continues to receive the spreadsheet from Hendrickson; however, this documentation is still not adequate. We understand that the District plans to address this matter further.*

Student Safety and Security

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

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

