

**Glen Cove City School District**  
**Risk Assessment Update Report**  
April 11, 2016

## **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, 2015.

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 11, 2016

## 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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### Introduction (Continued)

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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:

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Report Type	Issue Date	Area(s)
Risk Assessment	May 16, 2015	District-wide
Agreed-Upon Procedures	January 29, 2015	Purchasing

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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](mailto:Fsanda133@mail.nysed.gov)

#### ***Contact***

Office of Audit Services  
(518) 473-4516

**GLEN COVE CITY SCHOOL DISTRICT**  
**Risk Assessment Table**  
April 11, 2016

(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		M		M		✓
Collections and Posting of Receipts		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		M		M		✓
Payments and Cost Sharing		M		M		✓
Purchasing and Related Expenditures						
Purchasing System and Process	01/29/15	M		M		
Payment Process	01/29/15	M		M		
Credit Cards		M		M		
Grants and Special Education						
General Processing/Monitoring			H	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		M		

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

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**Risk Assessment Table (Continued)**  
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(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		
Extracurriculum 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			M				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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**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 improved the budget development and administration processes as noted in the following comment.

**Recommendation – Risk Assessment Update 2014**

**Budget Development** – We recommended that the District develop a plan with appropriate procedures to have administrators help develop the budget and then be responsible for monitoring the budget. The procedures should include a requirement that the budget holder request budget transfers that impact their account codes, and that all expenditures be accounted for in the appropriate account code.

**Risk Assessment Update – March 2015**

We recommended that the Superintendent and Assistant Superintendent for Business work closely with administrative staff to develop the budget for the 2015-16 year. We continued to recommend that a full plan be developed, noting roles and responsibilities and timelines to help ensure a complete, transparent and timely budget process.

**Risk Assessment Update – March 2016 (This item is now closed)**

*We note that the District has developed stringent procedures related to budget development and administration. This includes the Assistant Superintendent for Business working with administrative staff to develop a plan to ensure a timely budget development process. Now that the Superintendent and Assistant Superintendent for Business have developed the budget for several years, the budget is more accurate than in the prior years. We also found that there is a budget calendar in place and transparent meetings with the Board members.*

**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 – March 2015**

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.



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Risk Assessment Update – March 2016

1. *We understand that the District plans to implement this item during the 2016-17 year.*

**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

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

**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 improved the receipts process related to school lunch by setting up a web-based online payment system (MySchoolBucks.com) for parents/guardians to make prepayments for student accounts.

Finding and Recommendation – Risk Assessment Update 2016

**Segregation of Duties** – We found that there is a lack of segregation of duties in the Accounts Receivable Department. The Principal Account Clerk has the conflicting tasks of processing invoices and posting the receipts to the respective accounts receivable balances including the posting of credit memos.

2. *We recommend 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.*

Finding and Recommendation – Risk Assessment Update 2016

**Receipts – Athletics** – We note that the District collects money from the parents of student athletes in the event that they fail to return their team uniform or equipment, which is District property. The Department of Athletics, Physical Education and Health handles these activities by using a standard memo that requests a check payable to the Glen Cove City School District be remitted to the Department of Athletics, Physical Education and Health. We

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*were informed that the checks received are submitted to the Business Office for deposit. However, we found that the Department of Athletics, Physical Education and Health only maintains these forms in a folder instead of these transactions being handled centrally in the Business Office. In addition, these transactions are not being properly tracked as an accounts receivable item.*

3. *We recommend 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 recommend that the Business Office consider utilizing the financial system to effectively manage these accounts receivable activities.*

Recommendation – Risk Assessment Update 2014

**Courier Log** – We recommended that the District create a log for the courier to sign when they pick up the deposits to take them to the bank.

Risk Assessment Update – March 2015

We understood that this would be implemented for the 2015-16 year.

Risk Assessment Update – March 2016 (This item is now closed)

*We found that the District has created a log for the courier to sign when they pick up the receipts and established procedures to reconcile this log to the deposit slips to ensure completeness.*

**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:

- The District is using the school lunch bank account to handle the prepayments from parents/guardians related to the new online payment system (MySchoolBucks.com).

**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

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

- The District engaged a third party (Seneca Consulting Group) to provide Affordable Care Act (ACA) consulting services. The company was obtained through a cooperative service of Nassau BOCES.
- The District prepared the records to facilitate the required ACA reporting of the 1095b and 1095c forms.

**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 hired a part-time Interim Assistant Superintendent for Human Resources, who works two days per week.
- The Human Resources Department improved the recruitment and hiring process by developing written, formal procedures, enforcing hiring practices, assigning the task of checking references to the building principals or directors and revising the Employment Application Forms.
- The Interim Assistant Superintendent for Human Resources now interviews all certified staff.

**Employee Administration and Separations/Terminations**

Control Risk Level:      Moderate

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

- There have been improvements related to employee evaluations and the District is in the process of bringing evaluations of all staff up-to-date.

**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 – March 2015**

We noted that this item still needed to be implemented.

**Risk Assessment Update – March 2016**

4. *We understand that the District plans to generate salary letters for the 2016-17 year.*

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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 – March 2015

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 – March 2016

5. *We found that the District is currently in the process of addressing this procedure and plans to complete the implementation prior to the 2016-17 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.

**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:      Moderate

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

Recommendation – Risk Assessment Update 2014

**Purchasing Calendar** – We recommended that the Purchasing Department develop a purchasing calendar to help ensure different commodities and services were reviewed on a regular basis.

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Risk Assessment Update – March 2015

This had not been implemented.

Risk Assessment Update – March 2016 (This item is now closed)

*We note that the Purchasing Department has developed a purchasing calendar based on a sample that we provided.*

Recommendation – Agreed-Upon Procedures 2015

**Board Policy #5410** – We recommended that the District revise *Board Policy #5410 – Purchasing* and the related regulation to include the threshold requirements when the purchases are below the bidding threshold amount. We also suggest that the District review the existing guidelines related to the thresholds requiring verbal and written quotations as part of the initiative to update the Board purchasing policy. We recommend that the quotes be documented on a form or printed and attached as documentation. We also recommend that if the purchasing policy is not followed, a form should be sent to the requisitioner requiring them to provide a written explanation. Also, if quotes are solicited and the lowest quote is not selected, an explanation should be recorded in the body of the purchase order (PO) or on the form.

Risk Assessment Update – March 2016 (This item is now closed)

*We found that the District has revised Board Policy #5410 – Purchasing to include the threshold requirements when purchases are below the bidding threshold amount. Also, a form is sent to anyone who issues a confirming PO asking them to explain why the goods or services were provided before a PO was in place.*

Recommendation – Agreed-Upon Procedures 2015

**PO increase** – We recommended that the District revise the form that is used to document when a PO needs to be increased, to include a space to record the reason for the increase.

Risk Assessment Update – March 2016 (This item is now closed)

*We note that the District has revised the form that is used to document when a PO needs to be increased by including a space to record the reason for such increase.*

Recommendation – Agreed-Upon Procedures 2015

**Contracts** – We recommended that the District consider updating the wording in consultant contracts to include a “not to exceed” amount. The “not to exceed” language would have served as a control to limit the approved amount to be paid to a provider for only the services required. We also recommended that if additional services are required during the year, an amendment to the contract be prepared and the increased amount would need to be Board approved. Also, we recommended that the District obtain Board approval for summer services prior to the services beginning and include a note stating that the services are for summer school or the regular school year.

Risk Assessment Update – March 2016 (This item is now closed)

*We understand that the District will take into consideration our recommendation to include a “not to exceed” amount in the consultant contracts. We found that the Special Education Department has developed procedures to (1) encumber all estimated costs for service providers, based on the number of students it services and the rate for these services, at the beginning of the school year; (2) amend the contracts if additional services are required during*

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*the year and obtain Board approval; (3) approve all extended school year (ESY) services by the Board before these summer services begin. In addition, separate POs are prepared for ESY and regular school year services even if they are provided by the same vendor.*

Recommendation – Agreed-Upon Procedures 2015

**Bids & Contracts** – We recommended that the District establish consistent, formal procedures related to bids and contracts including that the bid/state contract number be recorded in the body of the PO for reference and supporting documents be included in the voucher package. In addition, we recommended that the District clearly assign the responsibility of verifying pricing related to purchases off of contracts and bids (i.e., Purchasing Department). We also recommended that the pricing documentation be made available for the Claims Auditor to utilize during their review.

Risk Assessment Update – March 2016 (This item is now closed)

*We found that the District has established procedures as recommended. Also, the Assistant Superintendent for Business informs all Departments that a copy of the bid/state contract must accompany the purchase requisition and the bid/contract number must be included on the purchase requisition.*

Recommendation – Agreed-Upon Procedures 2015

**Board Resolutions** – We recommended that the District improve the filing process related to contracts and Board resolutions by:

- a) Creating binders to maintain and centralize the contracts that should be kept in the Purchasing Department. The binder should be made available to the Claims Auditor to utilize during their review.
- b) Filing the contracts alphabetically by vendor name and including a copy of the relevant Board resolution.
- c) Noting the correlating PO number on the contract.
- d) Creating an index to strengthen the organization of these key documents and establish an efficient process for accessing these records.

Risk Assessment Update – March 2016 (This item is now closed)

*We note that the District has created a binder in which all contracts are kept in alphabetical order. Also included is a copy of the PO that relates to the individual contracts and the respective Board resolution.*

Recommendation – Agreed-Upon Procedures 2015

**Purchase Orders** – We recommended that the District develop procedures to periodically remind staff that a PO must be in place prior to the purchase of any goods or service. Additionally, the District could consider creating a form to be completed in these instances to require the requisitioning department to record a reason for why the purchase was made prior to the PO being in place.

Risk Assessment Update – March 2016 (This item is now closed)

*We found that the District has created a form as recommended and developed procedures to send the form to the non-compliant employees to fill out and explain why the purchase was made prior to having a PO in place.*

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Recommendation – Agreed-Upon Procedures 2015

**Receiving of Goods** – We recommended that the District communicate with staff that when goods or services are received, the requisitioning department should sign the receiving copy of the PO and immediately return it to the Accounts Payable Department to be matched up with the invoice to expedite payment.

Risk Assessment Update – March 2016 (This item is now closed)

*We note that the Accounts Payable Department communicates with the departments the importance of returning the receiving copy of the PO upon receipt of the items. In addition, procedures have been established to handle the receipt of items during the summer.*

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 POs, late payments, warrants withheld, sequential numbers of the checks and any other key item that should be noted.

Risk Assessment Update – March 2016

6. *We found that the Claims Auditor Report has been revised, but review of a sample of reports found that there were no exceptions noted as a result of their reviews. We recommend 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.*

Recommendation – Agreed-Upon Procedures 2015

**BOCES Invoice** – We recommended that the District develop procedures to have the appropriate departments review their portion of the BOCES invoice, initial and return it to the Accounts Payable Department. The signed invoice should be attached for the Claims Auditor to review and approve. Also, procedures should be developed for the Nassau BOCES contract to be Board approved annually.

Risk Assessment Update – March 2016 (This item is now closed)

*We note that the District has developed procedures to have the Accounts Payable Department send the portion of the BOCES invoice to the appropriate department for their review and approval. Also, no portion of the BOCES invoice is paid unless the approved portion of the invoice is returned. In addition, all signed invoices are attached to the BOCES voucher packets for review by the Claims Auditor.*

Recommendation – Agreed-Upon Procedures 2015

**Review of Invoices** – We recommended that the District establish procedures to require an administrator to review and approve all invoices for payment. This review could occur after the clerk in the department has performed an initial review.

Risk Assessment Update – March 2016 (This item is now closed)

*We found that the District has established procedures to require an administrator to review and approve the invoices for payment, after the clerk in the department has performed the initial review.*

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Recommendation – Agreed-Upon Procedures 2015

**Deasy Elementary School** – We recommended that the District strengthen internal controls and improve operations at the Deasy Elementary School by ensuring that the purchases comply with the District's purchasing guidelines. This included submitting purchase requisitions prior to obtaining goods or services and significantly reducing the amount of reimbursements to the administrator by processing most of those items through the Purchasing Department. We also recommended that the reimbursement items be delivered to the school and obtain an independent sign-off when these goods were received.

*Risk Assessment Update – March 2016 (This item is now closed)*

*We note that the District has implemented procedures related to purchasing activities as recommended, resulting in stronger internal controls and improved operations at the Deasy Elementary School.*

Recommendation – Agreed-Upon Procedures 2015

**Contract Language** – We recommended that the District consider utilizing consistent contract language with respect to payment to special education providers when a student is absent to avoid paying a provider in error.

*Risk Assessment Update – March 2016 (This item is now closed)*

*We note that the Special Education Department has reviewed the contracts with providers and established consistent language regarding student absences, thus improving the payment process related to these scenarios.*

Recommendation – Agreed-Upon Procedures 2015

**Attendance** – We recommended that the District develop procedures in the Special Education Department to ensure that attendance records are attached to the invoices for students attending placements outside of the District in order to validate the students' attendance.

*Risk Assessment Update – March 2016 (This item is now closed)*

*We note that the Special Education Department has developed procedures to attach attendance records for all students placed in educational facilities outside of the District to the respective invoices.*

Recommendation – Agreed-Upon Procedures 2015

**Emergency Purchases** – We recommended that the District develop procedures to require that the requisitioner document, in the body of the PO, that the expenditure was an emergency purchase.

*Risk Assessment Update – March 2016 (This item is now closed)*

*We found that the District has improved procedures related to emergency purchases that includes the requisitioner informing the Purchasing Agent about this type of purchase and documenting this information in the requisition.*



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**Payment Process**

Control Risk Level:      Moderate

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.

**Recommendation – Risk Assessment Update 2015**

**Credit Card Billing** – We recommended that the District institute a procedure to require a second person sign the credit card receipt to indicate actual receipt of goods by the District.

*Risk Assessment Update – March 2016 (This item is now closed)*

*We found that the District established procedures to have the Assistant Superintendent for Business as a second reviewer, sign-off on the receipts to indicate actual receipt of goods after receiving confirmation from the departments prior to processing the credit card payment.*

**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 staff turnover in the Special Education Department including the Director of Special Education, the Assistant Director of Special Education and the Clerk Typist.

**Recommendation – Risk Assessment Update 2014**

**Grant Administration Training** – We recommended that the District provide training for the two clerical employees related to grant administration.

*Risk Assessment Update – March 2015*

While the Director of Special Education works closely with the clerks, more formal training would improve the grant financial administration oversight.

*Risk Assessment Update – March 2016 (This item is now closed)*

*We understand that the Assistant Superintendent for Business worked with the Director of Special Education and the clerks in the Special Education Department to provide training related to the grant administration process.*

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**Special Education**

Control Risk Level:      Moderate

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

**Recommendation – Risk Assessment Update 2014**

**Budget Process Training** – We recommended that the District provide training for the senior administrators to administer the budget within District policies and to participate in the budget transfer process, as noted above.

**Risk Assessment Update – March 2015**

We noted that the Superintendent and Assistant Superintendent for Business worked very closely on the budget; it is important that a more formal process be developed and that District administrators be trained in budget development and management.

**Risk Assessment Update – March 2016 (This item is now closed)**

*We understand that the Assistant Superintendent for Business held meetings with each administrator and the department heads to provide training and establish a formal process related to budget development and management. Also, an Excel spreadsheet was provided to the administrators to facilitate the budget process.*

**Recommendation – Risk Assessment Update 2014**

**Review Management Advisory Group (MAG) Report and Develop CAP** – We recommended that the District review the issues noted in the review of Special Education in the report by MAG and develop a corrective action plan to address the issues that were raised.

**Risk Assessment Update – March 2015**

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

**Risk Assessment Update – March 2016 (This item moved to another report)**

*We performed an agreed-upon procedures engagement related to the financial operations of the Special Education Department, which included this recommendation as part of the scope of work. Refer to our "Independent Accountant's Report On Applying Agreed-Upon Procedures" dated March 10, 2016, for more information. The recommendations from that report will be included in next year's 2016-17 Risk Assessment Update Report.*

**FACILITIES AND CAPITAL PROJECTS**

**Facilities Maintenance and Operations**

Control Risk Level:      Moderate

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

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Recommendation – Risk Assessment Update 2014

**Facilities Department Checklist** – We recommended that the Facilities Department formally document and create a checklist related to scheduling, detailing and documenting maintenance activities on major building systems, such as heating, ventilation and air conditioning. Efficient operations require work schedules based on current job descriptions that give employees a clear understanding of their assignments. The schedules would include daily tasks and weekly, monthly, and semi-annual assignments.

Risk Assessment Update – March 2015

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

Risk Assessment Update – March 2016 (This item moved to another report)

*We performed an agreed-upon procedures engagement related to the facilities function, which included this recommendation as part of the scope of work. Refer to our “Independent Accountant’s Report On Applying Agreed-Upon Procedures” dated March 10, 2016, for more information. The recommendations from that report will be included in next year’s 2016-17 Risk Assessment Update Report.*

Recommendation – Agreed-Upon Procedures 2015

**Bid Procedures** – We recommended that the District improve the purchasing procedures in the Facilities Department by using bids for only products that are listed on the vendors bid list and obtaining the required number of quotes per the purchasing policy for all purchases. We also recommended that the bid specifications be written clearly and concisely to ensure that all aspects of the bid are properly documented, to include language to ensure that there are no substitutes of items allowed and to include the item number requested to ensure that is the only product sent by the vendor. In addition, we recommended that signed work orders be attached to the approved invoice to indicate that the work was completed.

Risk Assessment Update – March 2016 (This item moved to another report)

*We performed an agreed-upon procedures engagement related to the facilities function, which included this recommendation as part of the scope of work. Refer to our “Independent Accountant’s Report On Applying Agreed-Upon Procedures” dated March 10, 2016, for more information. The recommendations from that report will be included in next year’s 2016-17 Risk Assessment Update Report.*

**Capital Projects**

Control Risk Level:      Moderate

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

**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.

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**Maintenance and Inventories**

**Control Risk Level:**      Moderate

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

**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. In addition, we 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 –March 2015**

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

**Risk Assessment Update –March 2016**

7. *We understand that the Assistant Superintendent for Business will work with the Director of Technical Services to implement this recommendation for the 2016-17 year.*

**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 – March 2015**

We found that the Board policy still needed to be revised and a physical inventory was planned for 2015-16.

**Risk Assessment Update – March 2016**

8. *We found that the District had a complete physical inventory performed by a third party (AssetWORKS) during the fall of 2015. The Assetmaxx database was updated based on the results of the inventory, which identified older items. We understand that the District plans to revise Board Policy #5621 – Accounting of Fixed Assets as recommended and may also consider increasing the capitalization threshold from \$1,000 to \$5,000. Again, the District should consider rewording 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 Financial Management Guide for Local Governments, as part of any capital asset inventory control system, the District should see to it that a physical inventory is conducted of each department and the results of the inventory should be reconciled with the property records on file. Moving forward, each building will be given a list of its assets and asked to confirm possession of assets and indicate where items are located.*

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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 parochial or private schools more efficiently. We suggested using iPads and bar code scanners to track the textbooks and consider setting up an online process for parents to enter their book requests.

Risk Assessment Update – March 2015

We noted that this item still needed to be implemented.

Risk Assessment Update – March 2016

9. *We understand that the District plans to implement this recommendation for the 2016-17 year.*

**FOOD SERVICES**

**Sales Cycle and System**

Control Risk Level:      Moderate

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

- Nutrikids point-of-sale (POS) system has been installed at all schools. This POS system replaced the previous WinSnap WebSMARTT XP program.
- The District set up a web-based online payment system (MySchoolBucks.com) as noted above.

Finding and Recommendation – Risk Assessment Update 2016

**Negative Balances** – We note that the District needs to address students with negative balances, since the overall negative balance was \$13,421 at June 30, 2015 and this increased to \$18,275 at March 8, 2016. In addition, we also found that the negative balance was higher than the positive balance by \$8,682 at June 30, 2015 and by \$8,574 at March 8, 2016.

10. *We recommend 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. We found that the District has 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 suggest that the District consider sending automated phone calls weekly to the parents/guardians when the students' balance is near zero or negative.*

Finding and Recommendation – Risk Assessment Update 2016

**School Lunch Program – Financial Results** – 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 this deficit 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%.

11. *We recommend 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.*

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Recommendation – Risk Assessment Update 2014

**Charging Meals** – We recommended that the District establish a Board policy related to charging meals when the student does not have money and has no available funds in their account. The Board policy would include the District's existing procedures for handling this matter and include the threshold (i.e., number of meals). We provided the District with a sample Board policy covering the charging of meals.

Risk Assessment Update – March 2015

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

Risk Assessment Update – March 2016 (This item is now closed)

*We found that the District has established Board Policy #5662 – Meal Charge Policy to address the charging of meals when students do not have money and there are no available funds in their account. This policy was adopted at the Board meeting on March 28, 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 Business Office has been active with providing assistance and guidance to the central treasurers.

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

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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 – March 2015

We found that the District still needed to implement this recommendation. There were some activities accounted for in the extraclassroom accounts (field trips) that did not lend themselves to student involvement.

Risk Assessment Update – March 2016

12. *We note that the District still needs to address the field trip accounts in the MS since these are not bona fide clubs, since there are no student officers. In addition, we noted that there are 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.*

**Cash Receipts**

Control Risk Level:      Moderate

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

- The MS has improved the receipts process by creating new forms: (1) Profit and Loss Statement and (2) Inventory Control/Admissions Deposit.

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 – March 2015

We understood that this was a work in process. We again recommended improving the receipts process, since it is important that all deposits have supporting documentation related to the amounts deposited.

Risk Assessment Update – March 2016

13. *We found that the MS has improved controls related to receipts by creating new forms as noted above. We recommend 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.*

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Recommendation – Risk Assessment Update 2014

**HS School Store** – We recommended that the HS School Store prepare a quarterly profit and loss statement and send it to the Central Treasurer for review. We also recommended that the HS School Store submit all receipts, in addition to the vending machine sales, to the Central Treasurer and support these funds with the profit and loss statement.

Risk Assessment Update – March 2015

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

Risk Assessment Update – March 2016

14. *We understand that the HS is in the process of revising the School Store Receipt Form and we recommend that the School Store use a profit and loss statement as noted in the previous recommendation.*

**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 is in the process of including 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 added about 900 new iPad devices for the 2015-16 year, in addition to the 200 already in place given to teachers and special education students in June 2015. These new devices were set up on carts at all schools. The District is considering a 1-to-1 initiative to provide every 6<sup>th</sup> grader (235 students) an iPad for the 2016-17 year. They use AirWatch mobile device management software to monitor these devices.

Recommendation – Risk Assessment Update 2014

**New Employee Orientation** – We recommended that the District improve the new employee orientation process by revising the checklist for new hires and separations to include all of the system accesses and by centralizing this process to handle the identification cards and system access at one location.

Risk Assessment Update – March 2015

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



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*Risk Assessment Update – March 2016 (This item is now closed)*

*We found that the District has improved the new employee orientation process by revising the checklist for new hires and separations as recommended.*

Recommendation – Risk Assessment Update 2014

**District Network Acceptable Use and Safety Policy** – We recommended that the District establish procedures to include Board policy *District Network Acceptable Use and Safety Policy – #7314* in the new student registration and the student re-registration packets to inform them of the appropriate use of the District's network.

Risk Assessment Update – March 2015

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

*Risk Assessment Update – March 2016 (This item is now closed)*

*We note that the District has established procedures to include Board policy District Network Acceptable Use and Safety Policy – #7314 in the new student registration and the student re-registration packets.*

**Network Security**

Control Risk Level:      Moderate

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

- The District is in the process of setting up password change requirements to 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. In addition, the Director of Technical Services will no longer have the ability to access user accounts, which we noted during our review and recommended that the District require all users to change their passwords immediately.

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 IT Department and the database administrators to inactivate the separated employees' user accounts and system accesses.

Risk Assessment Update – March 2015

We found that the District still needed to implement this item.

*Risk Assessment Update – March 2016*

15. *We understand that the District plans to implement this item for the 2016-17 year.*

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**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.

**Recommendation – Risk Assessment Update 2014**

**Disaster Recovery, Backup Procedures and IT Maintenance** – We recommended that the District improve the disaster recovery, back-up procedures 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) Establish procedures to store back-up files at a remote location offsite, preferably off Long Island, and periodically test these backup files to ensure the data recovery is complete and retrievable as planned.
- c) Create climate controlled environments for the server/network rooms.
- d) Consider setting up a generator at the HS to adequately protect and maintain IT equipment during power outages.

**Risk Assessment Update – March 2015**

We noted that the District was implementing improved offsite back-up procedures with Nassau BOCES. Once these are fully implemented and tested, then the District will plan to develop a formal disaster plan.

**Risk Assessment Update – March 2016**

16. *We note that the Network Engineer has purchased an online Cloud service to facilitate the back-up process and providing offsite storage, which closes item (b) above. The District is also set up with Bo-Tie, which is a BOCES service for additional bandwidth for internet and phone service. We understand that the District plans to address items (a), (c) and (d) for the 2016-17 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 improved student attendance procedures by requiring them to “tap in” each morning with their student ID card at the ScholarChip kiosk at each school. This data is uploaded into PowerSchool each morning at 10:15 AM and the attendance employees review the exception report to take necessary action. In addition, the hall monitors and security staff are equipped with tablets to check the status of students based on their student ID card.

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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 New York State Education Department (SED) requirements.

Risk Assessment Update – March 2015

We found that the District still needed to implement this item.

Risk Assessment Update – March 2016

17. *We understand that the Assistant Superintendent for Business plans to work with the Records Retention Officer to address the outdated documents that are stored in the safe in the Administration Building.*

**Student Performance Data**

Control Risk Level:      Moderate

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

**Student Transportation**

Control Risk Level:      High

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

- The District has engaged a part-time transportation consultant to assist with student transportation activities after the clerk separated from the District.
- Routing of the buses has completely changed, which is in compliance with the District transportation policy and its specifications.
- The District had eliminated three buses for this 2015-16 school year.

Finding and Recommendation – Risk Assessment Update 2016

**Bus Mileage** – *We found that the mileage related to transportation needs to be recalculated for this 2015-16 fiscal year. We recommend the District require that the miles per gallon calculation be detailed on the vendor's invoice. Additionally, the District should develop procedures to review the miles per gallon calculation used by the bus company when the contract requires the District to pay for fuel.*

18. *We recommend that the District work with the transportation company (Hendrickson) to provide appropriate supporting documentation for mileage and gas usage. The District is still working with the vendor to obtain the requested documentation related to the miles per gallon calculation used by the bus company, since the contract requires the District to pay for fuel.*

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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 – March 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 – March 2016

19. *We found that the District has finalized its reconciliation of the transportation fuel costs for the 2013-14 and 2014-15 school years. The transportation company (Hendrickson) had 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 is still not adequate. We understand that the District plans to address this matter further.*

Recommendation – Agreed-Upon Procedures 2015

**Transportation Services** – We recommended that the District strengthen the controls related to transportation services by utilizing the Transfinder program to its fullest potential including entering van routes into the system and to map bus routes to independently verify the bus routes developed by the bus company to ensure that the routes are the most efficient.

Risk Assessment Update – March 2016 (This item is now closed)

*We found that the District has hired a transportation consultant, since a clerk separated from the District, and improved procedures by utilizing the Transfinder program as recommended.*

**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 at the HS by installing surveillance cameras and a buzzer system at the main entrance. This set up is now in place at all of the schools.

