

Glen Cove City School District
Risk Assessment Update Report
May 16, 2015

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, 2014.

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.

May 16, 2015

GLEN COVE CITY SCHOOL DISTRICT

Introduction

May 16, 2015

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)

May 16, 2015

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 8, 2014	District-wide

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

Mr. John Cushin

(518) 474-5928

GLEN COVE CITY SCHOOL DISTRICT

Risk Assessment Table

May 16, 2015

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

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

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

**GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Table (Continued)**

May 16, 2015

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

Business Process Area	Date of Detailed Testing*	Control Risk			Proposed Detailed Testing
		Current Year			
Capital Assets					
Acquisition and Disposal			M		
Maintenance and Inventories			M		
School Lunch					
Sales Cycle and System			M		
Purchasing and Inventory			M		
Federal and State Reimbursements			M		
Free and Reduced Lunch			M		
Extraclassroom Activity Fund					
General Controls and Administration			M		
Cash Receipts			M		
Cash Disbursements			M		
Information Technology					
Governance			M		
Network Security			M		
Financial Application Security			M		
Disaster Recovery			M		
Student Related Data and Services					
Student Attendance Data			M		
Student Performance Data			M		
Student Transportation			M		
Student Safety and Security			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 (Continued)
May 16, 2015

GOVERNANCE AND PLANNING

Governance and Control Environment

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls 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:

- As noted in the update to prior recommendations, the District has taken steps to improve the budget, accounting and financial reporting activities.

Recommendation – Risk Assessment Update 2014

Fund Balance Projection – We recommended that the District immediately develop a fund balance projection for the 2013-14 fiscal year. As part of this, significant accounts should be analyzed and budget transfers should be made on a timely basis.

Risk Assessment Update – March 2015 (This issue is now closed)

Fiscal 2014 was closed. The District has developed a fund balance projection for 2014-15, which was shared with the Board of Education. These projections should be reviewed regularly throughout the balance of this fiscal year, and the last projection should be compared to the audited results so that any significant variance is understood.

Recommendation – Risk Assessment Update 2014

Operating Deficit and Improve Budget – We recommended that the District address the operating deficit and improve the budget process to ensure estimates for all significant expenditures were included in the budget (e.g., tax certioraris).

Risk Assessment Update – March 2015 (This issue is now closed)

This is an ongoing process. Significant assumptions and accounts in the budget are now better understood by the administration than they were understood a year ago. As will be noted below, multi-year projections are necessary so that the Board of Education can make informed operating and strategic decisions.

Recommendation – Risk Assessment Update 2014

Training Related to Budgeting – We recommended that the District provide the administrators with training related to budgeting and budget management, so that they could effectively help manage the District finances and develop procedures to ensure that budget transfers are in compliance with Board policy (Budget Transfers - #5330). When the budget transfers were greater than \$10,000 they should require Board approval.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Risk Assessment Update – March 2015 (This issue is now closed)

The Superintendent is now signing off on all budget transfers and those over \$10,000 are approved by the Board of Education. Informal training on the budget has taken place as the Superintendent and Assistant Superintendent for Finance have worked closely on the 2015-16 budget. See below for continued recommendation about formalizing budget procedures.

Recommendation – Risk Assessment Update 2014

Budget Transfers – We recommended that the District resolve the conflicting language between the Board Policy (Budget Transfers - #5330) and the reorganization minutes related to the required approvals up to \$10,000. We also recommended that the District inquire with legal counsel to determine if the Board could assign the approvals of budget transfers up to \$10,000 to an administrator other than the Superintendent (e.g., Assistant Superintendent for Business).

Risk Assessment Update – March 2015 (This issue is now closed)

As noted above, this has been addressed.

Recommendation – Risk Assessment Update 2014

TRS Budget Issue – We recommended that the District address the Teachers' Retirement System (TRS) budget issue, since these expenditures were underestimated and it was not clear if there were funds available within the existing budget to cover these expenditures. The District may need additional budget funds of approximately \$900K for this account code.

Risk Assessment Update – March 2015 (This issue is now closed)

The required budget transfers were made last fiscal year and the current budget is substantially accurate.

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 to monitor 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

- 1. The Superintendent and Assistant Superintendent worked closely with administrative staff to develop the budget for 2015-16. We continue to recommend that a full plan be developed, noting roles and responsibilities and timelines to help ensure a complete, transparent and timely budget process.*

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.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Risk Assessment Update – March 2015

2. *We understand that a multi-year plan will be developed after the June 2015 audited financial statements are received. This will allow for a clean starting point, and combined with the 2015-16 budget will provide the basis for an accurate plan.*

ACCOUNTING AND REPORTING

Financial Accounting and Reporting

Control Risk Level: Moderate

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

- The District has improved the financial operations as noted in the update to prior recommendations.
- The audited financial report for the year ended June 30, 2014, had a prior period adjustment to correct prior financial statement errors.

Auditing (External, Internal, and Claims)

Control Risk Level: Moderate

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

- In the past two years, the District has engaged the services of a new internal audit firm and a new external auditor.

REVENUE AND CASH MANAGEMENT

Revenue Management

Control Risk Level: Moderate

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

Recommendation – Risk Assessment Update 2014

Driver’s Education Program - Improve Accounting – We recommended that the District improve the accounting of the activities related to the Driver’s Education Program by properly recording the receipts in a revenue code, instead of a reduction of expenses.

Risk Assessment Update – March 2015 (This issue is now closed)

This accounting change was implemented.

Billings, Collections and Posting of Receipts

Control Risk Level: Moderate

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

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

- The District has implemented the use of 3 part receipt books and receipt logs in the schools. These will improve the accountability of cash and checks received.

Recommendation – Risk Assessment Update 2014

Use of Receipt Books – We recommended that a three part pre-numbered receipt book be maintained and used by the Principal Account Clerk (PAC) to advise the school that a deposit was received and deposited. The PAC would prepare a receipt every time a deposit from a club was received. One copy of the receipt would be sent back to the school for its records, one copy of the receipt would be attached to the paperwork and one copy of the receipt would remain in the receipt book. The receipt book would then function as a log and anyone reviewing it could determine that there are no breaks in the sequence and all receipts were accounted for.

Risk Assessment Update – March 2015 (This issue is now closed)

This was implemented.

Recommendation – Risk Assessment Update 2014

Cash Receipts Log – We recommended that deposits from the schools be recorded in the cash receipts log immediately when received. The amount of the receipt could be recorded subsequent to the work by the PAC.

Risk Assessment Update – March 2015 (This issue is now closed)

This has been implemented. A receipt log was developed and is in use to help ensure all receipts are actually deposited.

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

3. *This has not been implemented. We understand that this will be implemented at the start of the next school year.*

Recommendation – Risk Assessment Update 2014

Review Access Levels – We recommended that the District review the access levels of the PAC and ensure that there was proper segregation of duties; and if not, limit the processes that the PAC was able to perform.

Risk Assessment Update – March 2015 (This issue is now closed)

The access level for the PAC was reviewed and the ability to process certain transactions was removed.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Cash and Investment Management

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 related to this function.

Recommendation – Risk Assessment Update 2014

Collateral – We recommended that the District establish procedures to require the District Treasurer to review the collateral maintained by the banks on a regular basis to ensure that the value of the collateral is sufficient to cover the District’s deposits in excess of federal insurance limits.

Risk Assessment Update – March 2015 (This issue is now closed)

The newly hired treasurer is monitoring collateral on a monthly basis.

Bank Reconciliations

Control Risk Level: Moderate

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

- The District has engaged a new treasurer, who is performing the work on a timely basis.

Recommendation – Risk Assessment Update 2014

Bank Reconciliations – We recommended that the District improve the bank reconciliations by preparing these timely and utilizing the financial management system’s bank reconciliation functionality to prepare them more efficiently. We suggested that a reasonable standard for timeliness was to complete the bank reconciliations by the third week after a month end. Therefore, any Board meeting held on or after the 21st of the month would include the bank reconciliation for the prior month.

Risk Assessment Update – March 2015 (This issue is now closed)

The newly hired treasurer has been preparing the bank reconciliations on a timely basis and is using the functionality of the Finance Manager system to prepare the reconciliations.

PAYROLL

Payroll Accounting and Reporting

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 related to this function.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Recommendation – Risk Assessment Update 2014

Payroll Comparison Report – We recommended that the Payroll Department print and provide a copy of the payroll comparison report to the Superintendent to facilitate the payroll certification process. The signed copy would be filed in the Payroll Department.

Risk Assessment Update – March 2015 (This issue is now closed)

The District has implemented procedures to include a “Contract Change Report” with the payroll journal. This report is reviewed as part of the payroll certification process.

Tax Filings and Reconciliations

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 related to this function.

Payroll Distribution

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 related to this function.

Recommendation – Risk Assessment Update 2014

Payroll Distribution List – We recommended that the District establish procedures to return the completed listing from the buildings to the Payroll Department, upon all paychecks and pay stubs being distributed. The completed listings would be filed with the payroll in the Payroll Department.

Risk Assessment Update – March 2015 (This issue is now closed)

The payroll distribution lists are now being returned from the buildings and departments. Payroll Department staff ensures that all signatures have been received.

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 operating without an Assistant Superintendent of Human Resources. From all indications, these responsibilities are being addressed by the management team.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Employee Administration and Separations/Terminations

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 related to this function.

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

4. *This has not been implemented.*

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

5. *A job responsibility document was developed for the Treasurer, but not for all Board appointed positions.*

Employee Attendance

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 related to this function.

Recommendation – Risk Assessment Update 2014

Absence Information – We recommended that the District develop procedures to perform a reconciliation between the absence information recorded in AESOP and the entries into the financial system.

Risk Assessment Update –March 2015 (This issue is now closed)

Beginning in December 2014, Human Resources (HR) department personnel are comparing the information in the AESOP system to the attendance entries made in the financial system, and following up on any discrepancies.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

BENEFITS

Administration

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 related to this function.

Benefits Payments and Cost Sharing

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 related to this function.

Recommendation – Risk Assessment Update 2014

Health Insurance Withholdings – We recommended that the District contact the New York State pension system to determine if there was a way to have any percentage amount withheld (e.g., 12%, 17%, etc.) from retirees related to the health insurance contributions. The withholdings being handled directly by the pension system would enhance operational efficiencies, decrease administrative workload and reduce potential errors.

Risk Assessment Update – March 2015 (This issue is now closed)

The retirement system notified the District that only increments of 5% can be administered through the pension system.

Recommendation – Risk Assessment Update 2014

Insurance Provider Invoices – We recommended that the Benefits Senior Account Clerk memorialize their review of the insurance provider invoices by signing-off or placing initials on the documents before submitting them for payment. Also, due to the amount of money involved, a detailed review should be performed by an administrator to authorize the payment.

Risk Assessment Update – March 2015 (This issue is now closed)

This has been implemented.

PURCHASING AND RELATED EXPENDITURES

Purchasing System and Process

Control Risk Level: Moderate

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

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

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

Recommendation – Risk Assessment Update 2014

Employee Access to Finance Manager – We recommended that the District review the user accounts and permissions in the Finance Manager system’s purchasing module to ensure that there was proper segregation of duties. An employee’s access should not be set-up to allow them to create purchase order (PO) requisitions, approve requisitions and add vendors.

Risk Assessment Update – March 2015 (This issue is now closed)

The District has reviewed the access levels and processing procedures related to purchasing. Access level changes were made to several employees to help ensure proper segregation of duties.

Recommendation – Risk Assessment Update 2014

Annual Expenditures – We recommended that the District encumber annual expenditures at the start of the year, using blanket POs where required.

Risk Assessment Update – March 2015 (This issue is now closed)

This has been implemented. POs have been established to encumber the annual projected expenditures. Our review of the financial activities of several departments (Transportation, Facilities and Special Education indicate these encumbrances are in place).

Recommendation – Risk Assessment Update 2014

Addition of New Vendors – We recommended that a form be developed to document the request to add a new vendor to the system. The form would be approved by the Purchasing Agent and upon entry be filed in the Purchasing Office. Additionally, a review by an independent person should be performed of the vendor master file prior to adding the vendor.

Risk Assessment Update – March 2015 (This issue is now closed)

The District has implemented procedures in which a form is prepared and reviewed by the Purchasing Agent to document new vendors that are added to the system.

Recommendation – Risk Assessment Update 2014

Confirming POs – We recommended that the District develop a procedure to address confirming POs. The procedure would include informing the individual department head of the instance and requiring an explanation.

Risk Assessment Update – 2015 (This issue is now closed)

During the past year, Cullen & Danowski, LLP., performed agreed-upon procedures related to the purchasing area. This issue will be addressed during next year’s Risk Assessment, when we follow up on open recommendations from the purchasing review.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Recommendation – Risk Assessment Update 2014

Open POs – We recommended that the District develop a procedure to address a review process for open POs. The procedure should address the frequency of review and the process to close out POs. The procedure should also address year-end procedures.

Risk Assessment Update – 2015 (This issue is now closed)

During the past year, Cullen & Danowski, LLP., performed agreed-upon procedures related to the purchasing area. This issue will be addressed during next year’s Risk Assessment, when we follow up on open recommendations from the purchasing review.

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.

Risk Assessment Update – March 2015

6. *This has not been implemented.*

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 related to this function.

Recommendation – Risk Assessment Update 2014

Accounts Payable Clerk Access – We recommended that the District discontinue the practice of allowing the Accounts Payable (AP) Clerk access to enter PO requisitions in the system. The data entry of PO requisitions for Business Office items should be performed by another employee who does not have access to pay invoices in the system.

Risk Assessment Update – March 2015 (This issue is now closed)

The District has adjusted the access for the AP Clerks and they no longer have the ability to enter a purchase requisition. This improves the segregation of duties related to the purchasing/disbursement cycle.

Credit Cards

Control Risk Level: Moderate

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

- As noted below, the receipt system for credit card purchases should be improved.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Finding(s) and Recommendation(s) – Risk Assessment 2015

7. *We note that the District has a procedure in which purchases for relatively small facilities and maintenance items are purchased by credit card. The receipts for these items are compared by a clerk to the actual billings for the credit card. However, there is no second review by a District employee to indicate that the materials were actually delivered to the District.*

We recommend 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.

GRANTS AND SPECIAL EDUCATION

General Processing and Monitoring

Control Risk Level: Moderate

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

- The District implemented the use of forms to properly document salaries charged to grants.

Recommendation – Risk Assessment Update 2014

Compliance with OMB – We recommended that the District implement procedures to comply with OMB Circular No. A-87 immediately by preparing the required personnel activity reports (PAR), depending on whether the employee works solely on a single federal award or on multiple activities, as follows:

- a. When an employee is expected to work solely on a single federal award, charges for salaries need to be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. This type of employee certification should be supported by a PAR that needs to be prepared at least semiannually and needs to be signed by the employee or by a supervisory official having first-hand knowledge of the work performed by the employee.
- b. When an employee works on multiple activities (such as more than one federal award or a federal and a non-federal program), a distribution of their salary needs to be supported by a PAR that meets the following standards:
 - Reflects an after-the-fact distribution of the actual activity of each employee (not a budget estimate).
 - Accounts for the total activity for which each employee is compensated.
 - Prepared at least monthly and must coincide with one or more pay periods.
 - Signed by the respective employee.

Risk Assessment Update – March 2015 (This issue is now closed)

The District has implemented the use of PAR forms to document staff time allocated to grants and to be in compliance with OMB Circular A-87.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Special Education

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 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

8. *The Superintendent and Assistant Superintendent for Finance have 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.*

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

9. *This has not been implemented.*

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

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

Recommendation – Risk Assessment Update 2014

Procuring Professional Services – We recommended that the District strengthen procedures related to procuring professional services in the Special Education Department. The District should obtain proposals from various related service providers in order to ensure the most prudent use of District funds.

Risk Assessment Update – March 2015 (This issue is now closed)

The District is operating within a consortium related to special education services. Purchases of services have been made from vendor proposals to this consolidated group.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

FACILITIES AND CAPITAL PROJECTS

Facilities Maintenance and Operations

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 related to this function.

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 should include daily tasks and weekly, monthly, and semi-annual assignments.

Risk Assessment Update – March 2015

11. *This has not been implemented. The Director of Facilities is aware of and agrees with this recommendation and will address these issues as soon as practical.*

Recommendation – Risk Assessment Update 2014

Fuel Usage – We recommended that the District develop a process to strengthen the monitoring of fuel usage of the vehicles and equipment owned by the District by determining the standard miles-per-gallon for each vehicle, and developing formal procedures to handle any excessive fuel usage that is identified. We also recommended establishing procedures to perform random checks of the mileage recorded by the employees to the District’s odometer readings to ensure accuracy. We provided the Director of Facilities with a mileage spreadsheet that determines the miles-per-gallon of each vehicle to further improve the monitoring on the fuel usage of the vehicles.

Risk Assessment Update – March 2015 (This issue is now closed)

The District will be changing the method of procuring fuel for in-house vehicles since it will no longer be using in-house fuel tanks. A system of monitoring fuel usage will be developed when the purchasing procedures change.

Capital Projects

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 related to this function.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

CAPITAL ASSETS

Acquisition and Disposal

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 related to this function.

Maintenance and Inventories

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 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

12. *This has not been implemented.*

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. 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.

Risk Assessment Update – March 2015

13. *The policy has not been modified, and there has not been a physical inventory this year.*

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.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Risk Assessment Update – March 2015

14. *This has not been implemented.*

FOOD SERVICES

Sales Cycle and System

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 related to this function.

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 should 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

15. *This has not yet been addressed.*

Purchasing and Inventory

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 related to this function.

Federal and State Reimbursements

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 related to this function.

Free and Reduced Lunch

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 related to this function.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Recommendation – Risk Assessment Update 2014

Free and Reduced Applications – We recommended that the District consider having more than one person trained at each school to handle the free and reduced applications, so this workload could be managed more effectively and efficiently in the event that the person assigned this duty is absent or is experiencing significant volume (e.g., start of school year).

Risk Assessment Update – March 2015 (This issue is now closed)

The District has decided that this function should be centralized with one clerical person in the Business Office. A second person will be trained to support and back-up this one staff member.

EXTRACLASSROOM ACTIVITY FUNDS

General Controls and Administration

Control Risk Level: Moderate

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

- As noted below, several procedural changes were implemented based on our recommendations.

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 – March 2015

16. *This has not been implemented. There are some activities accounted for in the extraclassroom accounts (field trips) that do not lend themselves to student involvement.*

Recommendation – Risk Assessment Update 2014

Club Balance Statements – We recommended that MS records are in agreement with the Central Treasurer's statement. This process should be performed at least once during the school year and at the end of each school year.

Risk Assessment Update – March 2015 (This issue is now closed)

The Central Treasurer is having the individual accounts reviewed and approved by either a student advisor or the principal or assistant principal on a regular basis.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Cash Receipts

Control Risk Level: Moderate

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

- The District has implemented several of the prior recommendations.

Recommendation – Risk Assessment Update 2014

Extraclassroom Funds – We recommended that the extraclassroom activities safe and lock box at the MS in the Main Office be locked at all times, so that deposits are always secured and access to the safe be restricted to the appropriate employees.

Risk Assessment Update – March 2015 (This issue is now closed)

Although the safe is not locked at all times, the lock box containing the extraclassroom funds is locked and only the Central Treasurer has access to the contents.

Recommendation – Risk Assessment Update 2014

Receipt Book – We recommended that a three part pre-numbered receipt book be maintained and used by the Central Treasurer to advise a club that a deposit was received and deposited. The Central Treasurer would prepare a receipt every time a deposit from a club is received. One copy of the receipt would be sent back to the Faculty Advisor for the club's records, one copy of the receipt would be attached to the paperwork and one copy of the receipt would remain in the receipt book. The receipt book would then function as a log and anyone reviewing it could determine that there are no breaks in the sequence.

Risk Assessment Update – March 2015 (This issue is now closed)

This has been implemented.

Recommendation – Risk Assessment Update 2014

Extraclassroom Sales Tax – We recommended that the High School (HS) extraclassroom clubs begin to consistently pay sales tax; including taxes for items purchased that were used for fundraising events.

Risk Assessment Update – March 2015 (This issue is now closed)

Both central treasurers are aware that the extraclassroom activities should be subject to sales tax and they work with vendors to have tax charged on the invoices.

Recommendation – Risk Assessment Update 2014

Club Balances – We recommended that the HS Central Treasurer continue to print club balance information monthly and require the clubs (advisors and student treasurers) to sign-off on the statement to document that their records are in agreement with the Central Treasurer's statement at least once during the school year and at the end of each school year.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Risk Assessment Update – March 2015 (This issue is now closed)

This has been implemented.

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 can 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, the number of left over items and the status of the remaining items).

Risk Assessment Update – March 2015

17. *This continues to be a work in process. It is important that all deposits have supporting documentation related to the amounts deposited.*

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

18. *This has not yet been implemented.*

Recommendation – Risk Assessment Update 2014

Concession Sales – We recommended that the District discontinue the practice of allowing parents to purchase and sell concession items during drama productions using club funds at the MS. Additionally, only the club advisors or student advisors for the club should complete a deposit form and make a deposit for the club.

Risk Assessment Update – March 2015 (This issue is now closed)

This practice has been discontinued. School and club staff now arrange and account for the concession activities.

Cash Disbursements

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 related to this function.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Recommendation – Risk Assessment Update 2014

Disbursement Forms – We recommended that a standard disbursement form be utilized to document the approval of all invoices. The form should have a space for approvals by the Faculty Advisor, Student Treasurer and the Principal. The approved form should accompany each invoice for payment.

Risk Assessment Update – March 2015 (This issue is now closed)

A “Payment Request Form” has been developed to document the approval of an invoice, and to authorize payment.

Recommendation – Risk Assessment Update 2014

Disbursements – We recommended that the District develop procedures to require that payments be made only from detailed invoices and not solely supported by a vendor statement.

Risk Assessment Update – March 2015 (This issue is now closed)

We understand that payments are only made upon presentation of appropriate supporting documentation.

Recommendation – Risk Assessment Update 2014

Signing MS Disbursement Forms – We recommended that the District establish procedures to require the MS disbursement form be signed by the faculty advisor, student treasurer and the principal. The approved form should accompany each invoice for payment.

Risk Assessment Update – March 2015 (This issue is now closed)

The student advisor and or principal or assistant principal sign all disbursement forms. Where there is a bona fide student treasurer, that person signs as well.

INFORMATION TECHNOLOGY

Governance

Control Risk Level: Moderate

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

- There was clarification over roles and responsibilities which appears to have resulted in improved efficiencies in this area.

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

19. *This has not been implemented.*

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Recommendation – Risk Assessment Update 2014

Data Management Staff - Reporting Lines – We recommended that the District clearly define the reporting lines of the two data management employees and assess the impacts of logistics (these employees worked in the administration building while the Director has an office in the HS).

Risk Assessment Update – March 2015 (This issue is now closed)

The District has a new Student Management System Administrator, with clear responsibilities and reporting structure.

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

20. *A revised policy has not yet been developed.*

Network Security

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 related to this function.

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

21. *This has not been implemented.*

Financial Application Security

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 related to this function.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Recommendation – Risk Assessment Update 2014

Finance Manager User Accounts – We recommended that the District review the Finance Manager system’s user accounts and permissions in detail to ensure that the accounts were appropriate and the permissions were aligned with each employee’s respective job duties.

Risk Assessment Update – March 2015 (This issue is now closed)

A review of access levels was performed by the Assistant Superintendent for Finance, and access levels were adjusted. We understand regular reviews will be done to review access levels.

Disaster Recovery

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 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

22. *The District is implementing improved off-site back-up procedures with Nassau BOCES. Once these are fully implemented and tested a full disaster plan can be developed.*

STUDENT RELATED DATA AND SERVICES

Student Attendance Data

Control Risk Level: Moderate

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

- There were changes related to roles and responsibilities in the area.

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

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

23. *This has not been addressed.*

Student Performance Data

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 related to this function.

Student Transportation

Control Risk Level: Moderate

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

- The budget and accounting in this area has improved significantly. Costs are being charged to the appropriate codes.

Recommendation – Risk Assessment Update 2014

Transportation Expenditures – We recommended that the District establish procedures to record the transportation related expenditures in the correct codes.

Risk Assessment Update – March 2015 (This issue is now closed)

The District has made several inter-related improvements regarding the accounting for transportation costs. Detailed budgets were prepared, POs encumbered the funds, fuel purchases were segregated and invoices are being charged to the appropriate codes.

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

24. *We understand that the District is in the final stages of calculating fuel requirements for the 2013-14 and 2014-15 school years and will reconcile the amounts with the supplier before the end of the fiscal year.*

GLEN COVE CITY SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
May 16, 2015

Recommendation – Risk Assessment Update 2014

Budget and Projected Costs – We recommended that the District perform a review of the budget and projected costs as soon as practical and budget transfers be processed as necessary. This updated information should be used to assist in the development of the 2014-15 fiscal year budget.

Risk Assessment Update – March 2015 (This issue is now closed)

As noted above, the District has significantly improved the accounting for transportation costs.

Student Safety and Security

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 related to this function.

Recommendation – Risk Assessment Update 2014

Safety Committee – We recommended that the Board approve the structure and the members of a District-wide safety committee. The members of this committee should be formally approved by the Board annually.

Risk Assessment Update – March 2015 (This issue is now closed)

The District re-constituted the Safety Committee during this fiscal year and the committee is operational.

