

Glen Cove City School District

Initial Risk Assessment Report

April 8, 2014

Initial Risk Assessment Report

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

We have performed the initial risk assessment of Glen Cove City School District (District) as required by Chapter 263 of the laws of New York, 2005 and as per our agreement of December 4, 2013.

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
 - School lunch
 - 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 (Board) 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 8, 2014

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 first requirement (i.e., the initial risk assessment).

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 requires the internal auditor to obtain an understanding of both the inherent and control risks associated with the various functions within the district.

Inherent risk measures the potential for objectives not being attained at the desired level without consideration of the assessment of the internal control processes. By their very nature, many of the districts' processes have high inherent risk. This is a view that is shared not only by internal auditors, but also by the New York State Office of the State Comptroller.

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 will be done in a later phase, could support the lowering of the initial control risk assessment associated with individual functions and sub-functions. Generally, an area is deemed to have a moderate level of control risk when there is an understanding that the function appears to have proper segregation of duties, adequate oversight, and other control elements in place. The testing of the controls, which will be done in a later phase, could support the lowering of the initial control risk assessment associated with individual functions and sub-functions. For example, the detailed testing validated that the controls related to the respective functions are in fact in place and working as designed thus the control risk level would be reduced from medium to low.

We have organized this report into 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 initial assessment of the control risk associated with each process. As mentioned above, the control risk is based upon our initial risk assessment and has not been subjected to testing of those controls. Since the testing has not been done, it is important to note that this table should not be viewed as the final assessment of the District's control environment. This can only be done in conjunction with the subsequent reports related to control testing. The Risk Assessment Table includes our suggestions for functions to be tested during the first year. However, the decision of which processes to audit in detail is at the discretion of the Audit Committee.

GLEN COVE CITY SCHOOL DISTRICT

Introduction (Continued)

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The second section of this report consists of observations of key policies, procedures and controls related to the functions we reviewed. The observations have been considered in the assessment of the level of control risk. Also included in this section are recommendations for areas of potential improvement in the District's internal controls or operations. 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.

Preparation of a Corrective Action Plan

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan, approved by the Board, 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 (SED)
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

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

Business Process Area	Date of Detailed Testing	Control Risk Current Year			Proposed Detailed Testing
Governance and Planning					
Governance & Control Environment		M			
Budget Development, Administration, and Fund Balance Management				H	
Accounting and Reporting					
Financial Accounting and Reporting				H	
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		M			
Payment Process		M			
Credit Cards		L			
Grants and Special Education					
General Processing/Monitoring				H	
Special Education		M			
Facilities and Capital Projects					
Facilities Maintenance & Operations		M			
Capital Projects		M			

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

<u>Business Process</u>		Date of Detailed Testing	Control Risk			Proposed Detailed Testing
Area			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					H	
Student Safety and Security				M		

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GOVERNANCE AND PLANNING

Governance and Control Environment

Control Risk Level: Moderate

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

- The Board has promulgated policies, including Board duties (Powers and Duties of the Board - #1310), new Board members (Orienting New Board Members - #2110), and Board member training (Board Member Training - #2130), which establish a tone at the top in terms of expectations and compliance.
- The District's website includes the Policy Manual containing all of the Board policies, which promotes transparency within the District.
- The Board has established a Code of Conduct booklet, which is on the District's website, and an ethics policy (Code of Ethics for All District Personnel - #6110). The Board duties policy (Powers and Duties of the Board - #1310) also includes a code of ethics section.
- The Board members have received the required fiscal training in accordance with Chapter 263 of the Laws of 2005 (legislation A6082-A and S5050-A).
- The appropriate standard reports are sent to the Board for review and approval (e.g., Appropriation Status Reports, Treasurer Reports, Extraclassroom Reports, etc.). However, it is not clear if regular fund balance projections have been provided on a regular basis.
- The District has a Policy Committee and assigned the committee with the task of reviewing the Board policies, since the numbering is out of sequence and many policies require updating. We understand that the District plans to divide the review into series and include projected completion dates for each series.
- The Audit Committee has been established along with a Board policy (Audit Committee - #5572). However, the District has not had a fully functioning internal audit function for several years.

Findings and Recommendations:

None noted

Budget Development, Administration and Fund Balance Management

Control Risk Level: High

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

- The annual budget for the current year has several obvious discrepancies between the budget and the projected costs.
- There is a policy (Budget Transfers - #5330) requiring the Superintendent to approve budget transfers up to \$10,000 and anything in excess of this amount requires the approval of the Board. This policy also states that the transfer of funds from contingent expenditure codes to non-contingent expenditure codes or the transfer of funds between non-contingent expenditure codes is not permitted.

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- The accounting for expenditures has been revised over the past several months. In the past, expenditures were frequently recorded in budget codes that had funds available instead of the codes which more appropriately define the expenditure. This causes many problems; the most significant is that the individual account balances may not accurately reflect the amount of spending in that code, which impacts the ability to budget accurately. The new Purchasing Agent has begun to insist that the proper account codes be used to record the expenditure and if budget funds are not available that the budget transfer take place prior to approval of the expenditure.
- Budget information is published on the District website for easy access to interested parties.

Findings and Recommendations:

We understand that fund balance projections have not been provided to the Board on a regular basis. The fund balance projections are a critical part of the budget and monitoring process and the New York State Comptroller recommends that these be provided monthly beginning in January of each school year.

1. We recommend 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.

We note that the District's general fund operated at a deficit of over \$800,000 in the 2012-13 fiscal year. This was primarily due to unbudgeted expenditures related to tax certiorari payments. Operating at a deficit for one year may not be a significant issue, but it is a sign of potential fiscal stress. We also found that the District did not include an amount in the 2012-13 or 2013-14 budgets for payments related to tax certioraris. These amounts are significant and the annual budget should include some estimated amount for these payments.

2. We recommend that the District address the operating deficit and improve the budget process to ensure estimates for all significant expenditures are included in the budget (e.g., tax certioraris).

We note that the District budget monitoring requires improvement. Our review of the 2012-13 appropriation status report shows substantial year end budget transfers. This indicates that budget transfers were not processed timely during the fiscal year. In addition, these transfers are not in compliance with Board policy (Budget Transfers - #5330), which requires that budget transfers greater than \$10,000 be approved by the Board.

3. We recommend that the District provide the administrators with training related to budgeting and budget management, so that they can effectively help manage the District finances and develop procedures to ensure that budget transfers are in compliance with Board policy (Budget Transfers - #5330), which requires Board approval when the budget transfers are greater than \$10,000 be approved by the Board.

We found that the budget transfers are approved by the Assistant Superintendent for Business; however, they have not been approved by the Superintendent in accordance with Board Policy (Budget Transfers - #5330) and the reorganization minutes dated July 1, 2013. In addition, the policy and the reorganization minutes related to budget transfers are different. The reorganization minutes require approvals by the Assistant Superintendent for Business and the Superintendent for budget transfers up to \$10,000, while the Board Policy only requires approval by the Superintendent.

4. We recommend 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 recommend 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).

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We note that the current year (2013-14) budget has an inadequate amount related to expenditures for the Teachers Retirement System (TRS). The actual payment related to the fiscal 2012-13 fiscal year was over \$4.1M. With salary increases of approximately 2% and a rate increase of 37.2% (the TRS rate increased from 11.85% in 2012-13 to 16.25% in 2013-14) the increase in TRS expenditures will be approximately \$1.6M for a total expenditure of \$5.7M in 2013-14. The approved budget for this expenditure is only \$4.8M. Additional budget funds of approximately \$900K will be needed for this account code, and it is not clear if there are funds available within the existing budget to cover these expenditures.

5. We recommend that the District address the TRS budget issue, since these expenditures were underestimated and it is not clear if there are funds available within the existing budget to cover these expenditures. The District may need additional budget funds of approximately \$900K for this account code.

We found that the District has not required the various budget holders to be responsible for their account budgets and to actively monitor the budgets. Some budget transfers were processed through the budget office, without budget holder, or Board review. In addition, as noted below, expenditures were routinely recorded in accounts that had available budget funds so that budget transfers were not necessary.

6. We recommend 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.

We note that the District has not developed a multi-year financial plan to help the District manage the fund balance.

7. We recommend that the District consider developing a multi-year financial plan to provide insight into the medium-term financial condition of the District.

ACCOUNTING AND REPORTING

Financial Accounting and Reporting

Control Risk Level: High

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

- The District utilizes Finance Manager as the financial accounting system. This is a fully integrated system, which provides efficient processes within appropriate levels of control. Purchasing, accounts payable, cash receipts and payroll transactions are posted directly to the financial reporting module.
- There are built-in controls within the financial system to restrict accesses to appropriate personnel.
- There is adequate segregation of duties related to the recording of journal entries. All entries require written approval of the Assistant Superintendent for Business.
- Various financial reports, including trial balances, revenue status and appropriation status reports are reviewed on a regular basis by the Assistant Superintendent for Business.
- The general ledger financial records are maintained by a person not otherwise involved in any other accounting within the District, limiting likelihood of fraudulent activity.

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Findings and Recommendations:

Refer to recommendations 1,4,5,6 and 7 above.

Auditing (External, Internal, and Claims)

Control Risk Level: Moderate

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

- There are policies in place related to external audits (External/Independent Auditor - #1334), internal audits (Internal Audit Function - #5573) and claims auditor (Claims Auditor - #1335).
- The District has established an Audit Committee along with a Board policy (Audit Committee - #5572). However, the District has not had a fully functioning internal audit function for several years.
- The District prepares corrective action plans related to the management letter received from the financial auditor reports as per Commissioner of Education Regulation §170.12.

Findings and Recommendations:

None noted.

REVENUE AND CASH MANAGEMENT

Revenue Management

Control Risk Level: Moderate

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

- The revenues received periodically are compared with budgeted revenues and any discrepancies found researched to a conclusion.
- There is proper segregation of duties between the employee that performs the billing and the employee that collects the receipts.
- The District has developed detailed revenue budgets and closely monitors actual results compared to the budget.
- Revenues are closely monitored by the Assistant Superintendent for Business. The revenue status reports are provided to the Board and there are discussions about any significant variances.

Findings and Recommendations:

We found that the District has been improperly recording the receipts related to the driver's education program as a reduction of expenses rather than revenue. We were informed that the District had used a revenue code to record the receipts in the past, but this practice was changed a couple of years ago based on a request from the Board to reduce the expenses instead of posting to a revenue account.

8. We recommend 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.

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Billings, Collections and Posting of Receipts

Control Risk Level: Moderate

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

- Receipts are deposited on a timely basis.
- Accounts receivable activities are monitored by the Business Office and investigated on a regular basis.
- The Receptionist records all receipts in a log and a separate person records the receipt in the system and reconciles the amounts recorded on the bank deposit slip or a bank scanning software report to the log.
- The District uses software to scan checks and automatically receive credit at the bank for the deposit. This system efficiently allows timely processing and depositing of checks received while maintaining a detailed log of the checks scanned.
- The Business Office has adequate controls to ensure accurate billings related to health services, foster tuition and out of district tuition. Communication with operational departments and the Business Office are adequate to provide appropriate segregation of duties.

Findings and Recommendations:

We found that the Principal Account Clerk (PAC) in the Business Office does not maintain a receipt book. No receipt is prepared by the PAC and returned to the depositor to let them know the deposit has been received and was deposited.

9. We recommend that a three part pre-numbered receipt book be maintained and used by the 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 is 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 can determine that there are no breaks in the sequence and all receipts are accounted for.

We note that deposits from the schools are not recorded in the cash receipts log immediately when received. They are recorded by the Receptionist after the PAC counts the deposit and agrees the amount to the form.

10. We recommend that deposits from the schools be recorded in the cash receipts log immediately when received. The amount of the receipt can be recorded subsequent to the work by the PAC.

We found that there is no log for the courier to sign when they pick up the deposits to take them to the bank.

11. We recommend that the District create a log for the courier to sign when they pick up the deposits to take them to the bank.

We were informed that the PAC is the backup person for several steps in the process (i.e., prepare the deposit slip, bring deposit to the bank), which does not always allow for proper segregation of duties.

12. We recommend that the District review the access levels of the PAC and ensure that there is proper segregation of duties; and if so, limit the processes that the PAC is able to perform.

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Cash and Investment Management

Control Risk Level: Moderate

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

- The District has a Board policy related to investments (District Investments - #5220).
- There are adequate procedures to ensure all bank accounts are authorized by the Board.
- There appear to be adequate controls over electronic banking including wire transfers.

Findings and Recommendations:

We were informed that the District Treasurer does not review the collateral maintained by the banks to ensure that the value of the collateral is sufficient to cover the District's deposits in excess of federal insurance limits.

13. We recommend 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.

Bank Reconciliations

Control Risk Level: Moderate

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

- Bank reconciliations are prepared for all accounts on a timely basis by a person who does not otherwise have access to the cash records.
- Any bank reconciliation differences and discrepancies are researched until found and corrected.
- Bank reconciliations are prepared for all accounts by a person who does not otherwise have access to the cash records. However, the bank reconciliations are not always prepared timely as noted below.
- Reconciliations are reviewed by the Treasurer and PAC.

Findings and Recommendations:

We found that the procedures related to bank reconciliations require improvement because these are not always prepared timely (i.e., more than three weeks after month end) and the District does not utilize the financial management system's bank reconciliation functionality to prepare them more efficiently. We noted that there three instances where the Board agendas did not include the bank reconciliation for the prior month (i.e., October 21, 2013, January 27, 2014 and February 24, 2014).

14. We recommend 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 suggest that a reasonable standard for timeliness is 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 should include the bank reconciliation for the prior month.

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PAYROLL

Payroll Accounting and Reporting

Control Risk Level: Moderate

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

- The Payroll Department reconciles contract payments from one payroll to the next to ensure accuracy of the changes using an Excel spreadsheet. The Payroll Department reviews the financial system-generated payroll change report.
- Payments made for hourly employees or for overtime have approval by an appropriate supervisor before entry into the payroll system.
- Payroll review and certification is done by the Superintendent.

Findings and Recommendations:

We were informed that a system-generated payroll comparison report of the current payroll to the prior payroll is not supplied to the Superintendent to facilitate the payroll certification process. The payroll comparison report would detail the payroll changes that occurred during the pay period by pay category type and assist in the payroll certification process.

15. We recommend 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 should be filed in the Payroll Department.

Tax Filings and Reconciliations

Control Risk Level: Moderate

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

- The payroll process utilizes a sophisticated, robust system, which provides calculations for all tax withholdings and filings.
- The District reconciles tax return information to the District's general ledger.
- All required tax returns are filed on a timely basis.

Findings and Recommendations:

None noted.

Payroll Distribution

Control Risk Level: Moderate

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

- For each payroll, a list of employees for each building is printed and sent to the building, along with the paychecks and pay stubs. A designated District employee (i.e., building principal, department head) hands out the paychecks or pay stubs (for direct deposits).

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- Once a year the Claims Auditor performs a payroll audit. A list of employees for each building is printed and provided to the Claims Auditor, along with the paychecks or direct deposit pay stub. Each employee is required to provide identification and sign to receive their paycheck or direct deposit pay stub.

Findings and Recommendations:

We were informed that each pay period a list of employees for each building is printed and sent to the building along with the paychecks and pay stubs; however, the completed listing is not returned to Payroll.

16. We recommend 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 should be filed with the payroll in the Payroll Department.

HUMAN RESOURCES

Employment Recruitment and Hiring

Control Risk Level: Moderate

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

- There are proper procedures to ensure that all new hires are Board approved prior to payment (but not necessarily prior to commencing work).
- The financial system requires all new hires to be entered by the Human Resources Department staff and no Payroll Department staff has permissions in the financial system to enter new employees.
- A successful SED fingerprint clearance and background check is required to be obtained for all new employees.
- The new hire package contains appropriate documentation that is provided to the employee. We found that the District has implemented procedures to require potential employees to complete the District application form prior to the interview being performed.

Findings and Recommendations:

None noted.

Employee Administration and Separations/Terminations

Control Risk Level: Moderate

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

- Employees are required to submit a signed resignation letter to the Human Resources Department when resigning from the District.
- There are proper procedures to ensure all employee separations from the District are Board approved.
- The Personnel Department formally notifies the Payroll Department of all terminations by memo.
- Payments to retiring employees at termination are limited due to contractual terms and conditions.

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Findings and Recommendations:

We found that salary letters are not generated and sent to employees to notify them of their annual salary for the year along with the respective step, as well as level for teachers.

17. We recommend 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.

We note that the PAC does not have a contract with the District and they are not included in a bargaining unit agreement. Further review found that there are other employees who also lack a formal contract or agreement signed by the Board, which includes the District Treasurer and District Clerk. We note that the annual salaries for these two Board-appointed positions are included in the annual reorganizational meetings. However, there are no signed contracts and there is also a lack of documentation listing the responsibilities of these two Board-appointed positions, or the benefits provided.

18. We recommend 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 recommend that the District formally document the job responsibilities of the two Board-appointed positions (i.e., District Treasurer and District Clerk).

Employee Attendance

Control Risk Level: Moderate

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

- Each year, an attendance report from Finance Manager is generated and sent to all District employees to confirm accuracy of the employee records.
- A reconciliation is performed between the daily sign in sheets and the entries into the financial system for accuracy.
- A spreadsheet is maintained to track employees that are out on a leave. This spreadsheet is available to the Payroll Department and Benefits Department to help ensure accuracy of payroll and benefits.

Findings and Recommendations:

We found that no reconciliation is performed between AESOP (teacher call in system) and the entries into the financial system for accuracy; however, the daily sign in sheets are reconciled to the entries into the financial system for accuracy.

19. We recommend that the District develop procedures to perform a reconciliation between the absence information recorded in AESOP and the entries into the financial system.

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BENEFITS

Administration

Control Risk Level: Moderate

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

- The District includes all employee benefit entitlements within the collective bargaining agreements (and individual contracts for those employees that are not aligned with a bargaining unit).
- There are numerous rules and regulations applicable to the benefits area. The District has one benefits senior account clerk who specializes in the administration of benefits, and appears to have a thorough understanding of the benefits related issues.
- There are standard procedures to adjust employee contribution amounts when the coverage changes (e.g., single to family) and when the insurance amounts change during the year (i.e., January), which includes reviews of the calculations by someone independent of administering benefits.

Findings and Recommendations:

None noted.

Benefits Payments and Cost Sharing

Control Risk Level: Moderate

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

- Forms received from District employees requesting changes to benefits are reconciled to the entries made into the financial system each payroll cycle to ensure deduction amounts for benefits from employee paychecks are accurate.
- The enrollee listings received from benefit providers are agreed to the enrollees listed in the financial system by the Benefits Clerk on a regular basis to ensure accuracy and completeness.

Findings and Recommendations:

We understand that the New York State pension system can only withhold retiree contributions towards health insurance when the percentage amount is divisible by 5 (e.g., 5%, 10%, 15%, etc.). Therefore, any retiree health insurance contribution amount that is not divisible by 5 (e.g., 12%, 17%, etc.) must be handled by the District resulting in additional administrative time to invoice and collect these contributions.

20. We recommend that the District contact the New York State pension system to determine if there is 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.

We have been informed that the Benefits Senior Account Clerk reviews all of the insurance provider invoices before submitting these documents to be processed for payment. However, we found that this employee is not signing off or placing initials on the invoices as evidence of such review. We also noted that the Accounts Payable Clerk completes reconciliations of the invoice costs from one month to the next using an Excel spreadsheet, but this reconciliation is not reviewed by an administrator.

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21. We recommend 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 these for payment. Also, due to the amount of money involved, a detail review should be performed by an administrator to authorize the payment.

PURCHASING AND RELATED EXPENDITURES

Purchasing System and Process

Control Risk Level: Moderate

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

- The District has several policies related to purchasing (Purchasing - #5410, Expenditures of School District Funds - #5320, Use of the District Credit Card - #5322, and Use of Federal Funds for Political Expenditures - #5560).
- These Board policies have been communicated throughout the District and are enforced by the Business Office.
- The District utilizes bids, state contracts and Educational Data Services, Inc. bids to comply with the purchasing policy and to procure goods and services at appropriate prices.
- A full review of the documents supporting each purchase including a review of the budget codes selected is performed by the Purchasing Agent.

Findings and Recommendations:

We were informed that the PAC's access in Finance Manager is set up to allow the employee to create purchase order (PO) requisitions, approve requisitions, and add vendors to the vendor master file resulting in conflicting duties.

22. We recommend that the District review the user accounts and permissions in the Finance Manager system's purchasing module to ensure that there is proper segregation of duties. An employee's access should not be set up to allow them to create PO requisitions, approve requisitions and add vendors.

We were informed that not all annual expenditures were encumbered at the start of the school year. The District does not consistently use blanket POs to encumber amounts for the full year at the beginning of the school year.

23. We recommend that the District encumber annual expenditures at the start of the year, using blanket POs where required.

We were informed that there is no form to document a request to add a new vendor to the system. Additionally, no review is performed on a regular basis by an independent person of all new vendors entered into the system.

24. We recommend that a form be developed to document the request to add a new vendor to the system. The form should 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.

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We were informed that there are numerous confirming PO situations, where an invoice is received and a PO is not in place or a PO is entered after services have begun or an order was placed.

25. We recommend that the District develop a procedure to address confirming POs. The procedure should include informing the individual department head of the instance and requiring an explanation for the instance.

We were informed that there is no review process for open POs to ensure that all POs are properly closed out if no longer needed.

26. We recommend 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.

We note that the Purchasing Department does not utilize a purchasing calendar to record the review dates for various bids for the District.

27. We recommend that the Purchasing Department develop a purchasing calendar to help ensure different commodities and services are reviewed on a regular basis.

Payment Process

Control Risk Level: Moderate

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

- There is segregation of duties between the Accounts Payable staff and the other District employees related to entering purchase orders into the system, reviewing warrants, printing checks, and sending the electronic positive pay file to the bank.
- The District utilized an electronic positive pay system with the bank to ensure that the bank only honors checks as intended by the District.
- A tape is run of the invoices entered into the system and the tape is agreed to the system total to ensure data entry accuracy.
- A log is utilized to ensure the check numbers per the system are accurate, and to ensure all checks are accounted for.
- Checks and Posi Pay transmittal are not released until the Claims Auditor has reviewed and approved the warrants.

Findings and Recommendations:

We found that the Accounts Payable Clerk has the ability to enter PO requisitions into the system. They enter the PO requisitions for some open POs for the Business Office (i.e., Verizon, BOCES, Pitney Bowes, etc). The POs are routed to the Purchasing Agent for review and approval.

28. We recommend that the District discontinue the practice of allowing the 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.

Credit Cards

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Control Risk Level: Low

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

- There is a Board policy related to credit cards (Use of the District Credit Card - #5322), but we found that the District does not issue credit cards to the employees.

Findings and Recommendations:

None noted.

GRANTS AND SPECIAL EDUCATION

General Processing and Monitoring

Control Risk Level: High

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

- The accounting system facilitates the accounting for grant expenditures in an efficient manner.
- Purchasing activities under grants is processed according to the District purchase policy and procedures.
- The District has assigned specific employees the responsibility of managing the consolidated and the non-consolidated grants.
- The communications between the employees managing the grants and the Business Office appear adequate and conducive for properly tracking, reporting and filing the grant activities.
- The District has procedures in place to file the grant forms in a timely manner, to fully expend the grant funds as planned and to file for any carryover funds.
- There are procedures in place to ensure that the District applies for all the grant funds it is entitled to receive.

Findings and Recommendations:

We found that the District is not in compliance with the Federal Government's Office of Management and Budget (OMB) Circular No. A-87 *Cost Principles for State, Local and Indian Tribal Governments*, which states that recipients of federal awards must comply with federal payroll certification requirements. The District is required to document salary expenditures charged to grants using Personal Activity Reports (PAR) and since the PARs are not being prepared, the District risks forfeiture of the grant funds.

29. We recommend that the District implement procedures to comply with OMB Circular No. A-87 immediately by preparing the required PARs, 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 personnel activity report (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.

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- 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.

Special Education

Control Risk Level: Moderate

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

- The District has adequate procedures to ensure that contracts are reviewed and approved by the Board of Education prior to purchase orders being processed.
- The District utilizes the IEPDirect web-based program to facilitate the management of the special education students. This is the industry standard program to efficiently monitor student records.
- There appear to be sufficient processes to ensure and document that the appropriate programs and services are being provided to the students as per the Individualized Education Programs (IEP).
- The Special Education Department must review and approve all related service provider invoices prior to the Accounts Payable Department processing these payments.
- The District has procedures that require providers to fully document the related services provided to the students and to have these records properly approved by a special education administrator. We note that the District has implemented this procedure during this fiscal year 2013-14.
- The Special Education Department works with the Business Office to review and file the System to Track and Account for Children (STAC) and automated verification listing (AVL) forms. We note that the District has implemented this procedure during this fiscal year 2013-14.
- The procedures to ensure the accuracy and completeness of the STAC and AVL forms appear adequate. We note that the District has implemented this procedure during this fiscal year 2013-14.
- The District has recently engaged a third party, Management Advisory Group (MAG); to review the STAC filings and MAG has provided a report on the findings of such review.

Findings and Recommendations:

We found that the Director of Special Education has not been required to actively monitor and manage the budget. Budget transfers in the special education budget codes should be initiated by the Director.

- 30.** We recommend 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.

We note that the District recently had a review of the Special Education Department's filing of STAC forms by MAG. As a result, an additional amount of approximately \$150,000 of state aid will be received. There were a number of filings which should be reviewed and procedural changes implemented to improve the operations.

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31. We recommend 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.

We found that the clerical staff primarily responsible for the financial activities of special education are experienced and have been cross trained in their responsibilities. Training related to the STAC filing process has been provided, but neither of the two clerical employees has attended training related to grant administration.

32. We recommend that the District provide training for the two clerical employees related to grant administration.

We found that the District regularly reviews the vendors providing services. However, a formal request for proposal has not been circulated for several years. The use of requests for proposals (RFPs) is helpful to ensure that the costs of services are appropriate, so that the District receives full value for its expenditures.

33. We recommend that the District strengthen procedures related to procuring professional services in the Special Education Department. The District should obtain RFPs from various related service providers in order to ensure the most prudent use of District funds.

FACILITIES AND CAPITAL PROJECTS

Facilities Maintenance and Operations

Control Risk Level: Moderate

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

- The District has a Board policy related to the operations and maintenance of the facilities (Facilities: Inspection, Operation and Maintenance - #5630).
- The District has a five-year capital facilities plan, which is appropriately reviewed annually and updated as needed. In addition, the District has procedures covering both short-term and long-range operations of the buildings.
- The District utilizes a work order system to manage requests for repairs and assistance more effectively and efficiently.
- There is proper segregation of duties related to approving invoices by having someone independent of requesting the work sign-off on these bills prior to submission to the Accounts Payable Department for processing.
- The Facilities Department schedules regular maintenance activities on major building systems on a daily, weekly, or other periodic basis. However, these are not formally documented as noted below.
- The Facilities Department personnel must use a biometric system for recording their time which is a very strong control.
- The procedures to safeguard and control the inventory of supplies, equipment and tools appear adequate.
- The controls over the fuel pumps appear adequate. The District has procedures in place that provide internal controls over the gasoline and diesel fuel taken from the pumps.

Findings and Recommendations:

We found that the Facilities Department schedules regular maintenance activities on major building systems, such as HVAC; however, these activities are not formally documented.

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34. We recommend that the Facilities Department formally document and create a checklist related to scheduling, detailing and documenting maintenance activities on major building systems, such as HVAC. 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.

We note that the Department has procedures to perform regular inspections of the vehicles; maintain complete records of each District vehicle (registrations, insurance cards, inspection dates and titles); prepare vehicle mileage and fuel logs; perform administrative reviews of the mileage logs; and restrict access to the fuel pumps. However, we found that there are no procedures to monitor the miles per gallon of the vehicles and fuel usage for the equipment used mainly by the grounds workers and there are no procedures to perform random checks of the mileage recorded by the employees to the District's odometer readings to ensure accuracy.

35. We recommend 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 recommend 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.

Capital Projects

Control Risk Level: Moderate

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

- There are procedures to ensure that the District does not overspend the budget for capital projects.
- There is a formal filing system for the capital projects to ensure that all required documents are submitted to the state in a timely manner and maintained in the Facilities Department.
- The District plans regularly scheduled meetings (e.g., owners sessions) to discuss the progress of the capital projects.
- The District uses the financial system to properly record and track the capital projects to account for the transactions in the appropriate codes.
- The District has formal procedures related to change orders and allowances, which require specific administrative and Board approvals based on thresholds.

Findings and Recommendations:

None noted.

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CAPITAL ASSETS

Acquisition and Disposal

Control Risk Level: Moderate

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

- There are Board policies related to capital assets that include the threshold amount for classifying purchases as capital assets and require all disposals to be Board approved (Accounting of Fixed Assets - #5621 and Sale and Disposal of School District Property - #5250).
- There are formal procedures related to the acquisition of capital assets that include placing sequentially numbered tags on the capital assets upon receipt by the District.
- There are procedures to track the movement of assets in the District using a standard form and to ensure that changes in assets, such as location, disposition, etc., are reflected in the inventory system.

Findings and Recommendations:

None noted.

Maintenance and Inventories

Control Risk Level: Moderate

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

- There is a Board policy (Accounting of Fixed Assets - #5621) related to capital assets that includes the threshold amount for classifying purchases as capital assets, which is \$5,000 or more.
- The District is using software/system (i.e., AssetMaxx) to maintain the capital asset database and to calculate the depreciation of the inventory.
- The District has identified an individual who is responsible for the maintenance of the inventory system.
- The District performs physical inventories of its capital assets every 3 to 5 years.

Findings and Recommendations:

We found that the inventory controls related to technology assets requires improvement, since there are no procedures to perform periodic physical inventories of these assets, and we were informed that there was an occurrence where technology equipment was stolen from the District and later found in a home. We also note that there are instances where capital assets are moved without a transfer form being submitted to the Information Technology (IT) Department.

36. We recommend that the District establish procedures to perform periodic physical inventories of the IT assets. In addition, we recommend 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.

We note that the Board policy related to capital assets (Accounting of Fixed Assets - #5621) states that "the School Business Official shall arrange for the annual inventory and appraisal of School District property, equipment and material. Any discrepancies between an inventory and the District's property records on file should be traced and

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explained.” However, the District is not in compliance with this policy requirement because it does not perform an annual inventory.

37. We recommend 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 OSC’s 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.

We understand that the procedure for tracking and managing textbooks for students attending parochial or private schools is very manually intensive.

38. We recommend that the District establish procedures to track and manage the textbooks for students attending parochial or private schools more efficiently. We suggest using iPads and bar code scanners to track the textbooks and consider setting up an online process for parents to enter their book requests.

SCHOOL LUNCH

Sales Cycle and System

Control Risk Level: Moderate

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

- The District is using a point-of-sale (POS) system to facilitate the tracking, reporting and monitoring of school lunch activities. This also provides a systematic process for managing pre-payments and a way of keeping anonymity related to students receiving free or reduced lunch.
- There are procedures in place to ensure that the District collects all cash it should from students and that all cash collected is deposited.
- The cashiers perform a “blind count”, which is a very strong control over the cash receipts.
- The deposits collected at the schools are processed and deposited at the bank in a timely manner.
- There are procedures to ensure the completeness of deposits for all POS terminals and to reconcile the deposits to the POS system-generated reports.
- The District is appropriately charging sales tax for meals sold to adults.
- The minimum price charged for adult meals is equal to or greater than the price value of the reimbursement for a free meal to an eligible child.

Findings and Recommendations:

We found that the District has established procedures when a student does not have money to pay for a meal and has no funds available on their account. The student is allowed to charge for meals only (i.e., no snacks) and these charges are entered into the POS system. We understand that students can charge up to 3 meals on account and after that an alternate meal would be provided. The District also provides a weekly notice to the parents of students with negative balances. However, there is no Board policy related to charging meals to support this practice.

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39. We recommend 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.

Purchasing and Inventory

Control Risk Level: Moderate

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

- The District handles the school lunch program in-house and all purchases need to comply with the purchasing policy and procedures.
- The District has procedures to properly safeguard the starting drawer money; inventory; supplies and equipment.
- There are procedures to track, monitor and control the inventory, which includes a monthly inventory count prepared by each cafeteria and performing periodic physical inventories.
- The District receives government commodities from the Office of General Services (OGS) to the greatest extent possible.

Findings and Recommendations:

None noted.

Federal and State Reimbursements

Control Risk Level: Low

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

- The Business Office and the School Lunch Manager work collaboratively to ensure that the District is receiving the correct amount of reimbursements from the state and federal governments.
- There are procedures to ensure that the storage and processing fees charged to the District are correct and handled properly.
- The District maintains control over filing forms to the state and federal agencies and procedures to validate the data for accuracy.

Findings and Recommendations:

None noted.

Free and Reduced Lunch

Control Risk Level: Moderate

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

- The free and reduced lunch program is handled within the District and the monies to cover the program are transferred from the general fund to the school lunch fund.

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- The District has a formal process to notify students and parents about free and reduced lunch and procedures to maintain documentation of free and reduced-price meal applicants.
- The District has identified an individual responsible for collecting, calculating, and reporting free and reduced-price lunch data to the SED.
- The use of the POS system provides a way of keeping anonymity related to students receiving free or reduced meals.

Findings and Recommendations:

We found that the free and reduced lunch applications are handled at each school. We were informed that there were instances when these forms were not entered into the system timely due to backlogs resulting from heavier volume at the start of the school year and/or the absence of the employee responsible for entering this data and the lack of a backup person to assist during such absence.

- 40.** We recommend 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).

EXTRACLASSROOM ACTIVITY FUNDS

General Controls and Administration

Control Risk Level: Moderate

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

- The District has Board policies (Duties of the Extraclassroom School Activities Funds Treasurer(s) - #1336 and Extraclassroom Activities Fund - #5520) related to extraclassroom activities.
- All clubs and advisors must be Board approved and the stipend amounts are defined in the bargaining unit contract with the teachers.
- The clubs at the High School are required to have student officers participating in all of the club activities and the standard forms include sections for appropriate sign-offs (i.e., student treasurer, club advisor and building principal). However, at the Middle School there is no requirement to have student officers participating in all club activities as noted in the findings below.
- The bank accounts are being reconciled monthly by the Central Treasurer and reviewed by the Principal Account Clerk. In addition, the District is compliant with submitting quarterly Extraclassroom Activity Fund reports to the Board.
- There are procedures at the High School that require clubs to have student officers participating in all of the club activities; advisors to fulfill specific duties (e.g., minimum number of club meetings, documenting the minutes of the meetings, compliance with policies and procedures) prior to receiving their respective stipend. However, at the Middle School there is no requirement to have student officers participating in all of the club activities.
- All fundraisers must be pre-approved by the school principal.

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Findings and Recommendations:

We found the following related to the Middle School Extraclassroom activities accounts:

- There are some clubs that do not have student officers or student involvement (i.e., field trip clubs). Additionally, student officers are not required to sign the deposit or disbursement forms.
- The student officers are not always participating in all of the club activities.
- The Yearbook Club has a club advisor and student involvement; however, the students do not collect the money from yearbook sales. The Middle School Central Treasurer collects money directly from the students and deposits the funds for yearbook sales. A receipt is provided to the student and records are maintained by the Central Treasurer of the students who have paid. This information is forwarded to the club to update its records.

41. We recommend that the District establish procedures to ensure that all extraclassroom clubs at the Middle School have student officers participating in all of the club activities, including deposits and disbursements. We also recommend that all clubs have a club charter detailing the purpose of the club and the student officers for the club. Further, we recommend 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.

We note that there are no procedures at the Middle School to require the clubs to agree their financial records to the Central Treasurer's statements.

42. We recommend that Middle School establish procedures to have the Central Treasurer print and distribute the club balance statements and require each club (advisor and student treasurer) to sign off on the statement to document that their 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.

Cash Receipts

Control Risk Level: Moderate

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

- The clubs are instructed to use receipt forms or some other method (e.g., cash register, pre-numbered tickets) to establish accountability for all funds collected. The District uses a standard receipt form that must be completed by the clubs and submitted to the Central Treasurer along with the receipts.
- The Middle School uses pre-numbered duplicate receipts when funds are collected; one copy is provided to the person submitting funds. However, there is no receipt book used at the High School as noted below in the findings and recommendations section.
- There is a safe where the receipts should be placed until the funds are deposited in the bank; however, the safe at both the High School and the Middle School could be better secured during the day.

Findings and Recommendations:

We found the procedures related to deposits at the High School and Middle School could be improved, since deposits are not always properly secured while waiting to be deposited in the bank. Although all deposits are maintained in the school's extraclassroom activities safe or lock box within the walk-in safe, these are left open during the day and all individuals in the main offices have access to the safe.

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- 43.** We recommend that the extraclassroom activities safe and lock box in the Main Office be locked at all times, so that deposits are always secured and access to the safe is restricted to the appropriate employees.

We note that the Central Treasurer at the High School does not maintain a receipt book. No receipt is prepared by the Central Treasurer and returned to the depositor to let them know the deposit has been received and was deposited.

- 44.** We recommend that a three part pre-numbered receipt book be maintained and used by the Central Treasurer to advise the 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 can determine that there are no breaks in the sequence.

We found that the High School extraclassroom accounts have not been consistently paying sales tax. Sales tax has only been remitted for vending machine sales through the school store and for yearbook sales. They have not been consistently remitting sales tax for items purchased that are used for fundraising events.

- 45.** We recommend that the High School extraclassroom clubs begin to consistently pay sales tax; including taxes for items purchased that are used for fundraising events.

We note that the club account balances are printed by the High School Central Treasurer each month and provided to the advisors; however, they do not have to sign the account balance statements and return them. Signing and returning the statements documents that both parties are in agreement with the club balance.

- 46.** We recommend that the High School 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.

We performed a limited review of a few cash receipts forms processed by the High School Central Treasurer and found that there is a lack of documentation supporting most of the receipts (e.g., listing of the products sold; list of the pre-numbered tickets sold; student listings; profit and loss statement; etc.) that are submitted to the Central Treasurer. A loss of funds can often be traced to a lax pre-audit of receipts and lack of adequate documentation to support the money collected. This lack of documentation to support the receipts does not allow the Central Treasurer to be sure that they have received a complete deposit.

- 47.** We recommend 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 recommend that the forms used to account for transactions be revised to provide an expanded comment or description section in which the club advisor can 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).

We found that High School Store club does not prepare any profit and loss statements. In addition, the only receipts received by the Central Treasurer from the High School Store club since the beginning of the 2013-14 year are receipts from the vending machine sales.

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48. We recommend that the High School Store prepare a quarterly profit and loss statement and send it to the Central Treasurer for review. We also recommend that the High 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.

We note that the snacks and beverages sold during the drama club performances are purchased by parents using club funds and receipts are provided for reimbursement. The snacks and beverages are also often sold by the parents during the performances and the deposit forms are prepared by the parent or the faculty advisor.

49. We recommend that the District discontinue the practice of allowing parents to purchase and sell concession items during the drama production using club funds. Additionally, only the club advisors or student advisors for the club should complete a deposit form and make a deposit for the club.

Cash Disbursements

Control Risk Level: Moderate

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

- The District requires more than one individual to sign the extraclassroom activity fund checks.
- Authorizations to pay are approved by more than one person (i.e., student treasurer, club advisor, building principal) at the High School.
- The central treasurers are maintaining the sequence of check numbers for their respective accounts.
- Checks and other financial stationery are safeguarded against theft, loss, and misuse. Also, checks written to cash are prohibited.

Findings and Recommendations:

We found that the High School does not use a form to document the approval of a disbursement. In addition, invoices are not required to be approved for payment.

50. We recommend 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.

We performed a limited review of a few disbursement forms and found that there were some payments to vendors that were supported by a statement instead of a detailed invoice.

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

We note that the Middle School does not require the student treasurers to sign the disbursement form, which is submitted along with the invoice or receipt to the Central Treasurer for payment.

52. We recommend that the District establish procedures to require the Middle School disbursement form be signed by the faculty advisor, student treasurer and the Principal. The approved form should accompany each invoice for payment.

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INFORMATION TECHNOLOGY

Governance

Control Risk Level: Moderate

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

- The District has a Board policy that addresses staff with access to various computerized information resources through the District's computer system (Staff Use of Computerized Information Resources - #6470).
- There is a Board policy (Confidentiality of Computerized Information - #3320) that covers the safeguarding of confidential data from inappropriate use. It also states that any employee who releases or otherwise makes improper use of such computerized data shall be subject to disciplinary action.
- There are Board policies (District Network Acceptable Use and Safety Policy - #7314; Children's Internet Protection Act: Internet Content Filtering/Safety Policy - #8271) that contain the acceptable uses and filtering protocols related to the District's computer, network and internet.
- The IT Department has implemented appropriate controls over staff and their activities including access to and within the District's financial and student management systems.

Findings and Recommendations:

We found that the new employee orientation procedures could be improved, since the process related to employee identification cards is not centralized resulting in employees having to visit one location to obtain system access to the network and another location (e.g., school building) to obtain the identification card.

53. We recommend 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.

We were informed that the lines of supervision for the two data employees are nebulous and may need to be clearly defined. The Director of Technology Services said that he was asked to manage these employees, but the logistics make this difficult (these employees work in the administration building while the Director has an office in the High School) and there has been no further communications to formalize this scenario.

54. We recommend that the District clearly define the reporting lines of the two data management employees and assess the impacts of logistics (these employees work in the administration building while the Director has an office in the High School).

We found that the District could improve procedures related to the network acceptable use policy, since this document is not included in the new student registration or the student re-registration packets.

55. We recommend 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.

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Network Security

Control Risk Level: Moderate

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

- The District utilizes virus protection software (i.e., Sophos), which is installed on all servers and workstations and is updated as needed.
- The District has procedures in place for authorizing modifications to the firewall configuration.
- The District has a firewall at each connection point and all firewall activities/events are logged.
- The District has procedures in place to document, store and review firewall logs.
- The Wi-Fi system installed throughout the District is behind the firewall.

Findings and Recommendations:

We found that the employee separation process could be improved, since staff separations are not always communicated to the IT Department or the database administrators resulting in user accounts remaining active when they should be inactivated.

56. We recommend 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 employee's user accounts and system accesses.

Financial Application Security

Control Risk Level: Moderate

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

- The District restricts financial system access based on an employee's job description.
- There are proper controls over changes to the Finance Manager user accounts (e.g., activating, inactivating, and revisions to permissions). The Director of Technical Services is the system administrator and all change requests must be approved by the Assistant Superintendent for Business.

Findings and Recommendations:

We found that the Finance Manager system's user accounts and permissions need to be reviewed in detail to ensure that the accounts are appropriate and the permissions are aligned with each employee's job duties.

57. We recommend that the District review the Finance Manager system's user accounts and permissions in detail to ensure that the accounts are appropriate and the permissions are aligned with each employee's respective job duties.

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Disaster Recovery

Control Risk Level: Moderate

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

- The District only has an informal disaster recovery plan and it has not been tested recently to ensure its effectiveness. Refer to finding below.
- The District has daily backup procedures to store the critical system data (i.e., financial and network) at a secure offsite location. The data from the virtual servers at the High School are stored at the Middle School. The offsite storage is maintained for financial and other significant applications.

Findings and Recommendations:

We found that the disaster recovery, backup procedures and maintenance of IT equipment could be improved, since we noted:

- The District lacks a formal disaster recovery plan and/or contingency plan.
- There are backup procedures in place to store data at an offsite location; however, there is no storage at a remote facility off of Long Island. In addition, we found that the backups are not being tested due to time constraints.
- There is a network closet at each of elementary schools that may not be cooled and a server/network room at the Middle School with only a single window air conditioner. The High School room with servers and switches lacks a proper temperature and humidity control system, with temperatures exceeding 103 degrees at times. Also, some of the schools server/network closets are not cooled.
- There is no generator in place to cover the IT equipment during power outages.

58. We recommend that the District improve the disaster recovery, backup procedures and maintenance of IT equipment as follows:

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

STUDENT RELATED DATA AND SERVICES

Student Attendance Data

Control Risk Level: Moderate

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

- The District has a comprehensive Board policy (Comprehensive Student Attendance Policy - #7110) covering student attendance.

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- The District maintains a record of each pupil's presence, absence, tardiness, and early departure in a register of attendance.
- The District has established controls over the input and access to data related to student attendance (user accounts and permissions).
- The District has an electronic student management system for collecting, calculating, summarizing, and reporting attendance data to the NYSED.
- The District is now recording attendance for students in kindergarten through 5th grade on a period-by-period basis to comply with new NYSED reporting requirements, which is a substantial procedural requirement since last year.
- Training is provided periodically and attendance records are being monitored closely to ensure compliance.
- Pupil attendance records are reviewed by the principal of every school building and the administrator in charge of the District.
- The District keeps electronic attendance records and other documents supporting reported counts for the appropriate number of years as specified by Commission Regulation Part 188.20.

Findings and Recommendations:

We understand that the District has retained a significant amount of records, including student data information, in the safe (i.e., bank vault) at the administration building. We were informed that there are numerous outdated documents that could be destroyed or filed electronically in compliance with the SED requirements.

59. We recommend that the District develop a plan for addressing the outdated documents in the safe (i.e., bank vault) at the administration building. We suggest that the records be destroyed or filed electronically, using the current scanners/photocopiers, in compliance with the SED requirements.

Student Performance Data

Control Risk Level: Moderate

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

- The District has assigned employees to be responsible for the accumulation of data for dropouts, test scores, enrollment, and cohorts.
- The District follows the SIRS (State Information Reporting System) guidelines on documenting how these statistics are accumulated.
- The District has an electronic student management system with records for each student enrolled and for collecting, calculating, summarizing, and reporting performance data to the NYSED.
- The Superintendent reviews data by comparing prior years and similar schools to assess the reasonableness of the data prior to its certification and submission to the NYSED.
- District staff review data published on the School Report Card and other reports for accuracy and to make improvements in student performance.
- The District has established controls to ensure student performance data (i.e. BEDS, enrollment, attendance, test results, etc.) is secure, input is reliable, and output is accurate.
- The District has policies and/or procedures in place to ensure that all students who should be tested are tested.

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Findings and Recommendations:

None noted.

Student Transportation

Control Risk Level: High

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

- The District has Board policies (Transportation Program - #5710, Scheduling and Routing - #5720, and Transportation of Students - #5730, to list a few) covering transportation.
- The District has policies and procedures to determine students to be transported and eligibility of expenses for transportation aid.
- The District procures transportation services in accordance with General Municipal Law and purchasing policies.
- The District procures contract transportation services through competitive bidding or requests for proposals.
- The District has adequate procedures to ensure timely filings of the District's transportation contracts to the Commissioner of Education for approval.
- The Transportation Clerk maintains documentation to support/account for information reported to the Department including contracts, contract extension forms, bidding information, rider lists, mileage records, and allocated expenses.

Findings and Recommendations:

We found that the District has routinely recorded expenditures into incorrect codes, as noted above. This is clear in the transportation related expenses. In the 2012-13 school year, over \$500,000 of costs associated with in-District transportation were recorded in the account for Private School Transportation. In addition, the gasoline costs have been charged to different accounts each year.

60. We recommend that the District establish procedures to record the transportation related expenditures in the correct codes.

We note that the contract with the District's primary transportation provider provides that the District purchases fuel for the buses. The amount of fuel to be provided is based on a calculation so that for each mile driven by the bus an assumed miles per gallon of xx for a large van and yy for a small van is used. This is a common arrangement and allows the District to purchase the gas utilizing a state contract and allows the fuel to be purchased without sales tax. The bus provider has invoiced the District approximately \$150,000 per year for gas, but has not provided the calculation to support the amount of fuel charged to the District. We found that the same provider has not provided detail support to the monthly invoices so that the costs can be properly reviewed and the costs charged to the proper budget codes.

61. We recommend 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 detail back up documentation.

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We note that although the budget for transportation was reduced in 2013-14 by \$650,000 from the prior year 2012-13 budget. This resulted in a budget which approximates the 2012-13 actual expenditures. It is not clear at this point, how much of the planned operational savings will be realized in this 2013-14 year.

62. We recommend 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.

Student Safety and Security

Control Risk Level: Moderate

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

- The District has numerous Board policies and procedures to promote a safe school environment.
- The District has adopted comprehensive District-wide school safety and building-level school safety plans on crisis intervention and emergency response. Also, the plans are reviewed and updated annually.
- The District has a comprehensive public school safety program that includes the four basic components: building conditions surveys, annual visual inspection, five-year capital facilities plan, and monitoring system procedures.
- The District has a system in place to track and report information about violent and disruptive behavior. In addition, the District issues an annual school facility report card.
- The District complies with requirements for the instruction and training in fire drills and in sheltering drills.
- The District complies with Public Employees' Safety and Health (PESH) rules to provide a safe workplace for school employees.

Findings and Recommendations:

We understand that the Board needs to approve the structure and members of District-wide safety committee.

63. We recommend that the Board approve the structure and the members of District-wide safety committee. The members of this committee should be formally approved by the Board annually.

