Eastern Suffolk BOCES

Risk Assessment Update Report

January 22, 2025

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Risk Assessment Update Report

To the Board of Cooperative Educational Services
First Supervisory District of Suffolk County
Patchogue, New York

We have performed the annual risk assessment update of Eastern Suffolk BOCES (ESBOCES) as required by Chapter 263 of the Laws of New York, 2005, and as per our engagement letter of July 1, 2024.

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, or the *International Standards for the Professional Practice of Internal Audit* issued by the Institute for Internal Auditors. 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:

- Reviewed our understanding of the critical business processes of ESBOCES.
- 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 performed by interviewing ESBOCES management, as well as 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 ESBOCES, 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 ESBOCES' administration and other employees during our engagement, especially the Business Office personnel.

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

Cullen & Danowski, LLP

January 22, 2025

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

Internal controls are the checks and balances over the various processes or functions that comprise the operations of a district and BOCES. 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, ESBOCES 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 ESBOCES.
- 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 when 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 ESBOCES, they could perpetrate fraud.

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

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

We have organized this report into the following two sections:

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

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

Report Type	**Issue Date**	**Area(s)**
Risk Assessment	January 24, 2024	ESBOCES-wide
Detailed Testing	August 23, 2023	Purchasing, Expenditures, and Assist with Open Recommendations

***Note**: the Detailed Testing Report dated August 21, 2024, related to programs to human resources to payroll processes, was recently issued and those recommendations will be included in next year's 2025-26 Risk Assessment Report.*

The changes and recommendations have been considered in the assessment of the level of control risk. Some of the recommendations may require a reassignment of personnel duties within ESBOCES and/or a financial investment. However, any improvement of controls should be done after a careful cost-benefit analysis.

Corrective Action Plan

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

ESBOCES should submit the CAP along with the respective Internal Audit Report via the NYSED portal system.

EASTERN SUFFOLK BOCES
Risk Assessment Table
January 22, 2025

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

Business Process Area	**Date of Detailed Testing ***	**Control Risk**						**Proposed Detailed Testing**
		Prior Year			**Current Year**			
Governance and Planning								
Governance Environment			M			M		
Control Environment			M			M		
Strategic Planning		L			L			
Budget Development			M			M		
Budget Administration **	05/26/15		M			M		
Accounting and Reporting								
Assessing Financial Condition		L			L			
Financial Accounting and Reporting	05/26/15		M			M		
Auditing		L			L			
Financial Oversight		L			L			
Fund Balance Management	09/10/12		M			M		
Revenue and Cash Management								
Real Property Tax		N/A			N/A			
State Aid			M			M		
Medicaid	03/03/14		M			M		
Out of District Tuition		L			L			
Use of Facilities			M			M		
Donations			M			M		
Collection & Posting of Receipts	08/02/16		M			M		
Cash Management	08/14/19	L			L			
Investment Management	08/14/19	L			L			
Bank Reconciliations	08/14/19	L			L			
Petty Cash			M			M		
Grants								
General Processing/Monitoring	09/10/12		M			M		✓
Grant Application	09/10/12		M			M		✓
Allowable Costs	09/10/12		M			M		✓
Cash Management	09/10/12		M			M		✓
Reporting and Monitoring	09/10/12		M			M		✓
Compliance	09/10/12		M			M		✓
Graham Leach Bliley Act - Compliance	08/14/19	L			L			
Special Education ***	08/24/22	L			L			
Career, Technical and Adult Education			M			M		
Educational Support Services			M			M		
Payroll, HR and Related Benefits								
Payments to Employees	08/25/21	L			L			
Allocation of Expenditures	08/25/21	L			L			
Employee Benefits Administration	08/08/18	L			(1)	M		
Benefits - Medicare Reimbursements	08/14/19	L			L			
General Employee Administration	05/26/15		M			M		
Employee Attendance	08/02/16		M			M		
Hiring/Separation of Employees	08/02/16		M			M		
Overtime	08/24/22		M		L			
Processes: Programs - HR - Payroll	08/21/24		M			M		

* Indicates the issuance date of an agreed-upon procedures (AUP) report or detailed testing (DT) report for that area.
** Testing was limited to year end spending.
*** Review of financial operations of the Special Education Division including itinerant services.
(1) The change from low to moderate risk is based on the passage of time since detailed testing was performed.

EASTERN SUFFOLK BOCES
Risk Assessment Table (Continued)
January 22, 2025

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

Business Process Area	Date of Detailed Testing *	Control Risk						Proposed Detailed Testing
		Prior Year			Current Year			
Purchasing and Related Expenditures								
PO System	08/23/23		M		L			
Payments Outside PO System	08/23/23		M		L			
Purchasing Process	08/23/23		M		L			
Purchasing Process - Contracts	08/25/21		M			M		
Allocation of Expenditures			M			M		
Payment Processing			M			M		
Travel and Conferences			M			M		
Credit Cards			M			M		
Facilities								
Facilities Maintenance	09/03/10		M			M		
Construction Planning	09/03/10		M			M		
Construction Monitoring	09/03/10		M			M		
Construction Completion	09/03/10		M			M		
Capital Assets and Inventory								
Acquisition and Disposal	03/03/14		M			M		
Inventory	03/03/14		M			M		
School Environment								
Safety and Security	08/08/18		M			M		
Student Transportation								
Fleet Maintenance	08/25/21	L			L			
Risk Management	08/25/21	L			L			
Personnel Compliance	08/25/21	L			L			
Facilities Maintenance and Security	08/25/21	L			L			
Food Service								
Federal and State Reimbursement	09/07/11		M			M		
Sales Cycle and System	09/07/11		M			M		
Inventory and Purchases	09/07/11		M			M		
Eligibility Verification	09/07/11		M			M		
Extraclassroom Activity Funds								
General			M			M		
Cash and Cash Receipts			M			M		
Expenditures and Purchasing			M			M		
Inventories			M			M		
Student Related Data								
Tracking Student Attendance			M			M		
Student Performance Data			M			M		
Information System								
Regional Information Center (RIC) **	08/04/17		M			M		
Governance			M			M		
Network Security			M			M		
Financial Application Security			M			M		
Other Application Security			M			M		
Disaster Recovery			M			M		

* Indicates the issuance date of an agreed-upon procedures (AUP) report or detailed testing (DT) report for that area.
** Review of financial operations at the Regional Information Center (RIC).
(1) The change from low to moderate risk is based on the passage of time since detailed testing was performed.

KEY CHANGES FROM THE PRIOR YEAR'S RISK ASSESSMENT RELATED TO POLICIES, PROCEDURES AND/OR CONTROLS (as of our fieldwork conducted during September/October 2024)

Governance and Planning

Board and Personnel Changes

- There were two Board member changes and several staff changes at ESBOCES that include the Chief Operating Officer (COO), District Superintendent, Director of Business Services, Chief Accountant, Senior Accountant, Accountant, Deputy Treasurer, Senior Purchasing Agent, Purchasing Agent, Assistant Plant Facilities Administrator, Network Systems Coordinator, 2 Cyber Security Analysts, and a Material Control Clerk since the prior year's risk assessment. In addition, ESBOCES has created a Director of Human Resources position to assist with the management and oversight of the Human Resources Department.

Audit Committee and Corrective Action Plans

- ESBOCES has an active Audit Committee that meets with the auditors, as required, and prepares the Board-approved Corrective Action Plans as per Commissioner of Education Regulation §170.12(e)(4).

Cross Training Employees

- There have been continued efforts made by departments/divisions to cross train employees to facilitate the completion of tasks during staff absences.

Workplace Violence Prevention Compliance

- ESBOCES was compliant with the New York State Department of Labor (NYSDOL) expansion of the Workplace Violence Prevention Law (Section 27-b of Labor Law) to elementary and secondary public education facilities. On May 3, 2024, ESBOCES completed a required workplace violence policy statement, a workplace risk evaluation, and a workplace violence prevention program.

Accounting and Reporting

General Fund – Fund Balance

- The General Fund operated at a deficit of ($4,559,746) for the year ended June 30, 2024, which decreased the total General Fund's fund balance from $77,922,051 to $73,362,305. This was the result of the total financing uses of ($40,377,216) exceeding the excess of revenues over expenditures of $35,817,470 mainly due to the refund of surplus billings to component districts, operating transfers out of the General Fund to the Capital Projects Fund, and net use/funding of reserves offset.

Payroll, Human Resources, and Related Benefits

Substitute Services Transferred to Human Resources

- The management and oversight of Substitute Services was transferred from the Administrative Services Division to the Human Resources Department, effective July 1, 2024.

Internal Audit Detailed Testing Report

- During the 2023-24 Year, Cullen & Danowski performed Detailed Testing related to programs to human resources to payroll processes. Refer to the *Internal Audit Report on Detailed Testing* dated August 21, 2024 for information about the detailed review of this area.

Purchasing and Related Expenditures

Internal Audit Follow-up

- ESBOCES has actively addressed the recommendations from Cullen & Danowski's *Internal Audit Report on Detailed Testing* dated August 23, 2023 related to purchasing and expenditures, as noted below.

Information Technology – Regional Information Center (RIC)

Third Party Audit of Controls

- ESBOCES has continued to engage a third party to perform an additional SOC (System and Organization Controls) audit of the controls that are in place within the Regional Information Center (RIC) to continue to help ensure the Security, Availability, Processing Integrity, Confidentiality and Privacy of their data. We note that there were no issues identified in the prior year's SOC audit.

Information Technology

Staff Training and Awareness

- The Technology Integration Department has been active in educating and training staff on the importance of internet safety through emails and using Phish Insight to provide samples for the phishing campaigns.
- ESBOCES continued using the web-based training program, GCN (Global Compliance Network), for the required sexual harassment, Digital Security & Protection and Student Data Privacy training. All staff are required to complete these training courses.

CURRENT OBSERVATIONS AND RECOMMENDATIONS

None noted.

STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (OPEN ITEMS)

PAYROLL, HUMAN RESOURCES AND RELATED BENEFITS

Payroll Review of Overtime Reports – Access to Contracts with Non-Aligned Staff

Risk Assessment Update – 2023-24

We recommended that ESBOCES set up the Payroll Department with access to the employment contracts for non-aligned staff for review to ensure that the overtime amounts paid to staff are being processed accurately and appropriately.

Risk Assessment Update – 2024-25

We found that ESBOCES has established a shared drive to provide the Payroll Department with access to these employment contracts. However, we note that the Human Resources Department had not uploaded these contracts to the shared drive at the time of our fieldwork.

Employee Attendance – Secondary Review of Attendance Rollover

Risk Assessment Update – 2023-24

We recommended that ESBOCES establish procedures to have an administrator review and approve the annual rollover of employee benefit time to ensure accuracy and completeness of this process.

Risk Assessment Update – 2024-25

We found that ESBOCES still needs to implement this recommended procedure.

PURCHASING AND RELATED EXPENDITURES

Purchasing Process – Contracts: Education Law 2D Compliance

Risk Assessment Update – 2022-23

We recommended that ESBOCES consider revising procedures to ensure all agreements related to software are reviewed by ESBOCES Data Protection Officer to ensure compliance with Education Law 2D.

Risk Assessment Update – 2023-24

We noted that there were still instances where the agreements related to software had not been reviewed by the ESBOCES Data Protection Officer to ensure compliance with Education Law 2D. We again recommended that ESBOCES consider revising procedures to ensure all agreements related to software are reviewed by ESBOCES Data Protection Officer to ensure compliance with Education Law 2D.

Risk Assessment Update – 2024-25

We were informed that there were still instances where the agreements related to software had not been reviewed by the ESBOCES Data Protection Officer to ensure compliance with Education Law 2D. We again recommend that ESBOCES consider revising procedures to ensure all agreements related to software are reviewed by ESBOCES Data Protection Officer to ensure compliance with Education Law 2D.

STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (CLOSED ITEMS)

PAYROLL, HUMAN RESOURCES AND RELATED BENEFITS

New Hires – Maintain Employee Records Electronically

Agreed-Upon Procedures – 2016

We recommended that ESBOCES consider using software to maintain employee records electronically to enhance operational efficiency.

Risk Assessment Update – 2017-2019

We noted that the Human Resources (HR) Department and Management Services were in the process of reviewing software solutions that automate the hiring and on-boarding procedure, support electronic file retention, and generate the personnel agenda for the Board meetings. We found that the HR Department had chosen a web-based program (SchoolFront) to facilitate the hiring process through automation and ESBOCES was negotiating the final terms and conditions of the agreement. We understood that SchoolFront integrates with the WinCap financial system. We noted that the procedures related to SchoolFront were not yet operational. We understood that the use of SchoolFront would start with recruiting and hiring, followed by the on-boarding process and this would become the starting point for paperless HR records.

Risk Assessment Update – 2020-21

We noted that SchoolFront, the software application that supports automation of recruitment, hiring and on-boarding functions, will also be used to store digital employee records. We were informed that ESBOCES planned to implement the on-boarding module, which included a file management component, after completing the current initiative related to the recruitment module.

Risk Assessment Update – 2021-22

We found that ESBOCES had set up a phased approach related to the implementation of SchoolFront for recruitment and on-boarding that started with a pilot group during the summer of 2021. We understood that there were lessons learned as a result of this pilot group managing the new hire process in SchoolFront and ESBOCES set up training for staff during the fall of 2021. We were informed that the HR Department planned to move forward with rolling out the use of SchoolFront with other pilot groups during the 2021-22 year.

Risk Assessment Update – 2022-23

We noted that there had been a number of administrator and support staff changes in the HR Department that had delayed the roll out of the SchoolFront program. This program supports automation of recruitment and onboarding functions and will be used to store digital employee records. The HR Department planned to continue with the phased approach to implement the onboarding module, which includes a file management component, to be fully implemented during the 2023-24 fiscal year.

Risk Assessment Update – 2023-24

We covered this item during the detailed testing engagement to assist ESBOCES with addressing the open recommendations related to HR. As noted in the Detailed Testing Report dated August 23, 2023, the Department was still in the process of investigating software options.

Risk Assessment Update – 2024-25 (This item is now closed)

We note that ESBOCES has begun the roll out of the SchoolFront program that includes the HR Department working with the vendor to start scanning employee HR files to create electronic records that will enhance operational efficiency.

Retirements – Notification of Intent to Retire

Agreed-Upon Procedures – 2020-21

We recommended that ESBOCES consider revising the UPSEU contract and any other collective bargaining agreement with similar language related to notices of retirement, to change the language from “shall” to “must” to enhance operations by providing ESBOCES with sufficient time to hire employees to fill the positions vacated by retirements of these staff members.

Risk Assessment Update – 2022-23

We noted that the HR Department planned to include this topic during the contract negotiations with the UPSEU bargaining unit.

Risk Assessment Update – 2023-24

We covered this item during the detailed testing engagement to assist ESBOCES with addressing the open recommendations related to HR. As noted in the Detailed Testing Report dated August 23, 2023, this item had still been under consideration and was to be determined upon commencement of upcoming negotiations.

Risk Assessment Update – 2024-25 (This item is now closed)

We note that ESBOCES has addressed this recommendation by determining that the language "shall" or "must" is the same from a legal perspective.

Payroll (Overtime) – Use of Compensatory Time

Detailed Testing – 2021-22

We recommended that ESBOCES assess the use of compensatory time by considering the elimination of this option for the employees who work overtime and develop procedures to require all overtime to be paid to the staff after this work is performed. The managing of compensatory time requires more administrative oversight than processing overtime payments and impacts productivity because the staff end up with 1.5 or 2 hours off in the future for each hour of compensatory time. The administrators need to cover the workload of staff when they are out of the office when taking their compensatory time off.

Risk Assessment Update – 2023-24

We understood that ESBOCES planned to address this recommendation during the 2023-24 year.

Risk Assessment Update – 2024-25 (This item is now closed)

We note that ESBOCES has decided to continue with the existing policies regarding the use of compensatory time for employees who work overtime.

Employee Attendance – Conversion of Sick Time to Personal Time

Risk Assessment Update – 2023-24

We recommended that ESBOCES consider revising the collective bargaining agreements to include the maximum number of days related to the conversion of sick time to personal time, instead of the current language that is silent with respect to the number of days to be converted.

Risk Assessment Update – 2024-25 (This item is now closed)

We understand that ESBOCES plans to revise the language in the collective bargaining unit contracts during future negotiations as recommended.

Employee Administration – Communications with Payroll Regarding Personnel Changes

Risk Assessment Update – 2023-24

We recommended that ESBOCES establish processes and procedures to enhance the communications between the program, HR, and Payroll Departments to ensure timely notifications of personnel actions with financial implications (e.g., shared spreadsheets, notifications via the School Front system, etc.) In addition, we also recommended that ESBOCES determine the appropriate actions to recover the overpayments made to employees.

Risk Assessment Update – 2024-25 (This item moved to another report)

We covered this item during the detailed testing engagement related to the programs to human resources to payroll processes. Refer to the Detailed Testing Report dated August 21, 2024 for more details.

PURCHASING AND RELATED EXPENDITURES

WinCap Financial System – Timeliness of User Account Changes

Detailed Testing – 2022-23

We recommended that ESBOCES strengthen procedures to ensure user accounts in the WinCap financial system are activated and inactivated timely when an employee is hired or separates from the ESBOCES.

Risk Assessment Update – 2024-25 (This item is now closed)

We found that ESBOCES has implemented a process to facilitate the systematic inactivation of WinCap user accounts based on changes made to the WinCap system's Human Resources module.

Purchasing Process – Verification of Bid Data Uploaded into WinCap

Detailed Testing – 2022-23

We recommended that ESBOCES enhance procedures regarding the uploaded bids by assigning a second employee, who is independent of uploading the bids, to verify the accuracy and completeness of the bid data uploaded into WinCap.

Risk Assessment Update – 2024-25 (This item is now closed)

We note that ESBOCES has implemented procedures for the Senior Account Clerk to review the bid data uploaded into WinCap by the Principal Account Clerk.

Payment Processing – Timeliness of Payments to Vendors

Detailed Testing – 2022-23

We recommended that when there is a variance of more than 60 days between the invoice date and requisitioner approval, there should be a notation explaining the reason for the delay in payment electronically noted in the PO. We also recommended that in the event a vendor sends an invoice prior to providing the goods or services, that ESBOCES communicates with such vendor that they need to send an invoice after the goods or services are provided.

Risk Assessment Update – 2024-25 (This item is now closed)

We found that ESBOCES has procedures to document the reason for the delay in payment when there is a variance of more than 60 days between the invoice date and the requisitioner's approval. In addition, we found that ESBOCES has procedures to communicate with vendors in the event an invoice is received prior to the receipt of goods or services.

Payment Processing – Verification of Rates

Detailed Testing – 2022-23

We recommended that ESBOCES continue with efforts to ensure payments to vendors align with the agreed-upon rates listed in the bid documents. In addition, we also recommended that ESBOCES establish procedures to ensure any changes to rates are properly supported.

Risk Assessment Update – 2024-25 (This item is now closed)

We found that ESBOCES has procedures in place for the Purchasing Department and Accounts Payable Department to ensure payments to vendors align with the agreed-upon rates. In addition, we found that ESBOCES has procedures to ensure any changes to these rates are properly supported.