

**Rockville Centre
Union Free School District
Risk Assessment Update Report
June 21, 2016**

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Risk Assessment Update Report

To the Board of Education and Audit Committee
Rockville Centre Union Free School District
Rockville Centre, New York

We have performed the annual risk assessment update of the Rockville Centre Union Free School District (District) as required by Chapter 263 of the Laws of New York, 2005 and as per our agreement of July 1, 2015.

This engagement is in accordance with auditing standards generally accepted in the United States of America and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have also considered the guidelines promulgated by the New York State Education Department in connection with such risk assessments.

Specifically, we performed the following:

- Developed an understanding of the critical business processes of the District. These critical business processes included but were not limited to:
 - Governance and planning
 - Accounting and reporting
 - Revenue and cash management
 - Payroll
 - Human resources
 - Benefits
 - Purchasing and related expenditures
 - Grants and special education
 - Facilities and capital projects
 - Capital assets
 - Food Services
 - Extraclassroom activity fund
 - Information technology
 - Student related data and services
- Identified the key risks based on our understanding of these business processes.
- Identified the stated controls that are currently in place to address those risks.

These procedures were accomplished through interviewing District management and accounting and other departmental personnel to determine the flow of accounting information and controls placed in operation. The scope of our engagement did not include testing the operating effectiveness of such controls.

Our procedures were not designed to express an opinion on the internal controls of the District, and we do not express such an opinion. Additionally, because of inherent limitations of any internal control, errors or fraud may occur and not be prevented or detected by internal controls. Also, projections of an evaluation of the accounting system and controls to future periods are subject to the risk that procedures may become inadequate because of changed conditions.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our audit, especially the Business Office personnel.

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

Cullen & Danowski, LLP
June 21, 2016

ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT

Introduction

June 21, 2016

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

Internal controls are the checks and balances over the various processes or functions that comprise the operations of a district. One key element in any internal control system is the concept of **segregation of duties**. This concept ensures that one person cannot execute a transaction without at least one other individual checking his or her work. Of course, where segregation of duties is not feasible, the district can employ compensating controls.

Nevertheless, there are some important concepts that should be understood when reviewing internal controls. These concepts are:

- An internal control system is designed to provide reasonable but not absolute assurance in safeguarding the assets of the district.
- The concept of reasonable assurance recognizes that the cost of the internal control should not exceed the benefits derived.
- There are inherent limitations that should be recognized in considering the potential effectiveness of any internal control system, e.g., errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. More importantly, it is **collusion** that poses the greatest threat to any internal control system. If two employees collude in order to circumvent the controls set up by the district, they could perpetrate a fraud.

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

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

We have organized this report into the following two sections:

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

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

Report Type	Issue Date	Area(s)
Risk Assessment	August 21, 2015	District-wide

The changes and recommendations have been considered in the assessment of the level of control risk. Some of the recommendations may require a reassignment of duties and/or an addition to District personnel. However, any enhancement of controls should be done after a careful cost-benefit analysis.

Corrective Action Plan

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

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

Submission Information – Mail & Email

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

Contact

Office of Audit Services
(518) 473-4516

ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT
Risk Assessment Table
 June 21, 2016

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

Business Process Area	Date of Detailed Testing	Control Risk		Proposed Detailed Testing
		Prior Year	Current Year	
Governance and Planning				
Governance & Control Environment		M	M	
Budget Development, Administration, and Fund Balance Management		M	M	
Accounting and Reporting				
Financial Accounting and Reporting		M	M	
Auditing		M	M	
Revenue and Cash Management				
Revenue Management		M	M	
Billings		M	M	
Collections and Posting of Receipts		M	M	
Cash and Investments Management		M	M	
Bank Reconciliations		M	M	
Payroll				
Payroll Accounting and Reporting	06/20/16	M	M	
Tax Filings and Reconciliations	06/20/16	M	M	
Payroll Distribution	06/20/16	M	M	
Human Resources				
Employment Recruitment and Hiring		M	M	
Employee Administration and Termination		M	M	
Employee Attendance		M	M	✓
Benefits				
Administration		M	M	
Payments and Cost Sharing		M	M	
Purchasing and Related Expenditures				
Purchasing System and Process		M	M	
Payment Process		M	M	
Credit Cards		M	M	
Grants and Special Education				
General Processing/Monitoring		M	M	
Special Education		M	M	

* The assessment of control risk is based on three levels, low, moderate or high, as described below:

Low Risk: Based on detail testing of the procedures in place, it appears that the control activities are adequate and that the risk of control objective not being met is low.

Moderate Risk: There appear to be adequate procedures in place to provide reasonable assurance that the control objectives will be met; however, either the system has not been subject to detail testing of control effectiveness or the results of detail testing do not support an assessment of low control risk. In most moderate cases, there has been no detailed testing to substantiate a reduction to a low control risk.

High Risk: It does not appear that adequate procedures are in place to provide reasonable assurance that the control objectives will be met.

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

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

* The assessment of control risk is based on three levels, low, moderate or high, as described below:

Low Risk: Based on detail testing of the procedures in place, it appears that the control activities are adequate and that the risk of control objective not being met is low.

Moderate Risk: There appear to be adequate procedures in place to provide reasonable assurance that the control objectives will be met; however, either the system has not been subject to detail testing of control effectiveness or the results of detail testing do not support an assessment of low control risk. In most moderate cases, there has been no detailed testing to substantiate a reduction to a low control risk.

High Risk: It does not appear that adequate procedures are in place to provide reasonable assurance that the control objectives will be met.

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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 District was active in reviewing, revising and adding Board policies as necessary.

Budget Development, Administration and Fund Balance Management

Control Risk Level: Moderate

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

Recommendation – Initial Risk Assessment 2015

Budget Transfers – We recommended that the District review Board Policy #5330 – *Budget Transfers* and consider increasing the threshold limit authorizing the Superintendent to effect budget transfers (line items) from \$500 to a higher amount (e.g., \$5,000 or \$10,000).

Risk Assessment Update 2016 (This item is now closed)

We understand that the District has taken this recommendation into consideration and decided to maintain the existing budget transfer threshold amount of \$500.

ACCOUNTING AND REPORTING

Financial Accounting and Reporting

Control Risk Level: Moderate

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

Auditing (External, Internal, and Claims)

Control Risk Level: Moderate

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

Recommendation – Initial Risk Assessment 2015

Corrective Action Plans – We recommended that the District establish procedures to require that it prepares a Board-approved Corrective Action Plan (CAP) for all internal audit reports as per CR §170.12(e)(4) and Board Policy #5561 – *Board Audit Committee*.

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

We found that District has established procedures to prepare a Board-approved CAP for all internal audit reports.

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REVENUE AND CASH MANAGEMENT

Revenue Management

Control Risk Level: Moderate

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

Billings, Collections and Posting of Receipts

Control Risk Level: Moderate

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

Finding and Recommendation – Risk Assessment 2016

Receipts from Athletic Events – We found that the receipts process related to athletic events needs to be strengthened. The District sells tickets or charges fees to the boys' basketball and girls' basketball events, with receipts totaling over \$1,000 cash for some of these events. Although there are 2 individuals taking money at the door and the Athletic Director oversees the event, there is a lack of accounting for the number of tickets or fees collected during the event. In addition, we understand that there were instances when the receipts from the annual Red and Blue event were brought home instead of being placed in the school's safe.

1. We recommend that the District strengthen controls related to the cash receipts collected at the athletic events. This would include the use of pre-numbered tickets, accounting for the number of tickets when preparing the Deposit Form, and storing the receipts in the school's safe immediately after the event instead of taking the deposits home.

Cash and Investment Management

Control Risk Level: Moderate

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

Bank Reconciliations

Control Risk Level: Moderate

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

PAYROLL

Payroll Accounting and Reporting

Control Risk Level: Moderate

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

Recommendation – Initial Risk Assessment 2015

Payroll Board Policy – We recommended that the District establish a Board Policy related to the payroll function. We suggested considering certain language when creating the policy stating that no payment

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Risk Assessment Update Report (Continued)
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should be made to any employee prior to services being rendered, no person may be added to the payroll prior to approval by the Board, and the name of the employee who may "certify" the payroll.

Risk Assessment Update – 2016

2. *We understand that the District plans to address this item during the 2016-17 year. We will assist the District by providing sample Board policies related to payroll.*

Recommendation – Initial Risk Assessment 2015

Payroll Comparison Report – We recommended that the Payroll Department print and provide a copy of the payroll comparison report (i.e., detailed list of the contractual changes and summary list of the earnings codes changes) to the Superintendent to facilitate the payroll certification process. The signed copy would be filed in the Payroll Department.

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

We note that the District has developed procedures include the payroll comparison report to facilitate the payroll certification process, which requires a review and approval by the appropriate employees including the Superintendent. In addition, the signed copy is filed in the Payroll Department as recommended.

Tax Filings and Reconciliations

Control Risk Level: Moderate

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

Payroll Distribution

Control Risk Level: Moderate

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

Recommendation – Initial Risk Assessment 2015

Payroll Cycle Sign-off – We recommended that the District establish procedures to perform a payroll cycle sign-off for all checks and direct deposit stubs during the first payroll of the year for the 12-month and 10-month employees. In addition, we recommended that the District perform a periodic payroll cycle sign-off once or twice during the year. This process would require all employees to pick up their checks or direct deposit stubs at their assigned building or the Administration Office to ensure that each employee is signing for their respective paycheck or direct deposit stub. The District may have considered developing consequences in the event an employee does not sign-off for their direct deposit stub (e.g., provide a paycheck for the next payroll cycle).

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

We found that the District has established procedures to perform a payroll cycle sign-off during the first payroll of the year in September for all employees. This process would require all employees to pick up their checks or direct deposit stubs at their assigned building or the Administration Office to ensure that each employee is signing for their respective paycheck or direct deposit stub.

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HUMAN RESOURCES

Employment Recruitment and Hiring

Control Risk Level: Moderate

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

Annual Salary Letters – We recommended that the District consider re-implementing procedures of generating salary letters on an annual basis, which lists the employee's annual salary for the year along with the respective step, as well as level for teachers.

Risk Assessment Update – 2016

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

Recommendation – Initial Risk Assessment 2015

Employee Evaluations – We recommended that the District implement procedures to ensure that all employees are formally evaluated at least once per year. We noted that only the following employees received annual evaluations: principals, teachers' bargaining unit members, teacher assistants, teacher aides, nurses and security.

Risk Assessment Update – 2016

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

Employee Administration and Separations/Terminations

Control Risk Level: Moderate

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

Employee Attendance

Control Risk Level: Moderate

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

BENEFITS

Administration

Control Risk Level: Moderate

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

- The Benefits Clerk was given the responsibility of reviewing the provider invoices related to dental, vision and life insurance coverage for the Civil Service Employees Association (CSEA) and will be responsible for creating a purchase order (PO) for each of these insurance providers starting in the 2016-17 year. In addition, the Benefits Clerk will be responsible for the Flex accounts.

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- The Benefits Clerk has been assigned the task of entering additional information into the financial system related to health insurance including the dependents and their Social Security numbers.

Benefits Payments and Cost Sharing

Control Risk Level: Moderate

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

PURCHASING AND RELATED EXPENDITURES

Purchasing System and Process

Control Risk Level: Moderate

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

- The bid thresholds have been increased for purchase contracts to \$20,000 and for public works to \$35,000.

Findings and Recommendations:

Recommendation – Initial Risk Assessment 2015

Purchase Orders – Board Approvals – We recommended that the Board review the practice of signing POs totaling \$500 or more and determine if this process is necessary, since this practice was not required by a Board policy and the procedure was not utilized in any of our other school district clients.

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

We have been informed that the Board prefers to be involved in the District's purchasing process that includes reviewing and signing all POs totaling \$500 or more. We understand that the administration also feels that this provides additional accountability related to the District's purchasing activities.

Payment Process

Control Risk Level: Moderate

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

Recommendation – Initial Risk Assessment 2015

Check Sequence Log – We recommended that the District improve the process of maintaining a check sequence for all payments made to ensure that the check numbers per the system are accurate, and to ensure all checks are accounted for. Since the check sequence was verified by the Claims Auditor, we suggested that this process be memorialized by adding this step to the list of services performed during each claims audit and revising the Claims Auditor Report to include a column listing the ending check numbers from their prior report.

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

We note that the District has improved the procedures related to the checks to ensure that the check numbers per the system are accurate, and to ensure all checks are accounted for as recommended.

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Credit Cards

Control Risk Level: Moderate

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

Recommendation – Initial Risk Assessment 2015

Home Depot House Account Card – We recommended that the District establish procedures to require a second employee sign-off on each Home Depot house account card purchase to indicate that the materials had been received at the District and consider noting how the materials would be used.

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

We found that the District has good controls related to the Home Depot house account that include restricting these purchases to only the Facilities Director and the Maintenance Supervisor; having the packing slips signed off at the buildings by a facilities employee whenever possible, requiring the Facilities Director review the packing slips and comparing this paperwork to the invoice prior to processing these payments.

GRANTS AND SPECIAL EDUCATION

General Processing and Monitoring

Control Risk Level: Moderate

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

Special Education

Control Risk Level: Moderate

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

- The Drug and Alcohol Task Force Coalition assisted a local group with obtaining a grant of \$625K covering 5 years and the District will be allowed to charge certain expenditures to this grant during that time.

Recommendation – Initial Risk Assessment 2015

STAC Forms – We recommended that the District establish formal procedures to document the review of services provided to in-district students to determine if the costs are in excess of the high-cost aid threshold. This would ensure that the District is filing the System to Track and Account for Children (STAC) forms as necessary to receive the appropriate state aid.

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

We note that the District has established formal procedures to document the review of services that are provided to in-district students to determine if the costs are in excess of the District's high-cost threshold. We understand that the District has identified some students with potential costs that may exceed this threshold.

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FACILITIES AND CAPITAL PROJECTS

Facilities Maintenance and Operations

Control Risk Level: Moderate

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

- The Facilities Department has revised the receiving process to have deliveries sent directly to the buildings instead of the Central Warehouse when it's feasible and more effective.

Finding and Recommendation – Risk Assessment 2016

Biometric Time System – We found that there are opportunities for improvement because the District uses time clocks to track the time that the facilities employees arrive at work and leave for the day. There are weaknesses with a time clock process that include inefficiencies, potential for manual errors when adding up hours, limited reporting capabilities and potential abuse where other workers punch the time clock for an employee (i.e., "buddy system"). The utilization of a biometric system would enhance processes, reduce potential manual errors and strengthen controls.

5. We recommend that the District consider installing a biometric time management system to strengthen internal controls and enhance operational efficiencies related to recording, tracking and reporting employees' time. A biometric hand-reader or fingerprint scanning system records the employees' exact arrival and departure times; provides a vastly improved solution to the current attendance sheets; and reduces potential errors resulting from manual processes. A biometric time management system eliminates the common and potential abuse related to time entry (e.g., incorrectly entering time or the "buddy system" concern). The biometric system would also enhance payroll processes by systematically calculating the overtime hours worked by employees to replace the current manual process.

Capital Projects

Control Risk Level: Moderate

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

CAPITAL ASSETS

Acquisition and Disposal

Control Risk Level: Moderate

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

Maintenance and Inventories

Control Risk Level: Moderate

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

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Recommendation – Initial Risk Assessment 2015

Database and General Ledger – We recommended that the District complete a physical inventory, update the asset database based on the results, and then properly report these amounts in the general ledger.

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

We found that the District had a physical inventory completed and the asset database was updated based on the results. In addition, the financial statements were agreed to the asset database amounts as of June 30, 2015.

Recommendation – Initial Risk Assessment 2015

Depreciation – We recommended that the District address the issue with the incorrect depreciation amounts in the fixed asset system in coordination with the previous recommendation.

Risk Assessment Update 2016 (This item is now closed)

We note that the District has corrected the depreciation amounts in the asset database and agreed these amounts to the financial statements as of June 30, 2015.

SCHOOL LUNCH

Sales Cycle and System

Control Risk Level: Moderate

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

- The Office of the State Comptroller (OSC) performed an audit of the school lunch program. The OSC report still needs to be prepared and issued to the District.
- The District's bond project includes work at the High School to renovate the kitchen and cafeteria, plus add a new cafeteria area that will be attached to the kitchen. The project is scheduled for the summer of 2016.
- There was an increase in the price of meals for the 2015-16 year with lunch costing of \$2.75 (up from \$2.50 in 2014-15) and breakfast costing \$2.50 (up from \$2.25 in 2014-15). The District is also considering a possible increase in the lunch prices for 2016-17 to \$3.00.

Recommendation – Initial Risk Assessment 2015

Financial Results – We recommend that the District consider including all costs related to the school lunch program including the respective employees' benefits (i.e., retirement system), assessing the financial results based on these revisions and addressing any concerns related to potential operating losses. Since we found that the school lunch program operated at a surplus of \$10K for the year ended June 30, 2014 excluding these benefits costs total fund balance in the school lunch fund was only \$35K at June 30, 2014.

Risk Assessment Update – 2016

6. *We understand that the District plans to include the respective employees' benefits costs (i.e., retirement system), related to the food service employees' salaries, in the school lunch fund to include these expenditures when assessing the financial results of the food service program. We also found that the school lunch program operated at a loss of \$27k for the year ended June 30, 2015.*

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Recommendation – Initial Risk Assessment 2015

Recording Deposits – We recommended that the District develop procedures to support the school lunch deposits with a spreadsheet resulting in efficiencies with the bank reconciliation process.

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

We found that the District has developed procedures to require the Senior Account Clerk to include a spreadsheet supporting the school lunch receipts by reconciling the bank deposits to the Point-of-Sale (POS) System (NUTRIKIDS). This new procedure has resulted in a more efficient bank reconciliation process.

Recommendation – Initial Risk Assessment 2015

Student Photos – We recommended that the District consider adding student photos to NUTRIKIDS to strengthen the verification process when cashiers are charging purchases to the students' accounts.

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

We note that the District has added student photos to NUTRIKIDS at all schools, which has strengthened the verification process when cashiers are charging purchases to the students' accounts.

Purchasing and Inventory

Control Risk Level: Moderate

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

Federal and State Reimbursements

Control Risk Level: Moderate

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

Free and Reduced Lunch

Control Risk Level: Moderate

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

EXTRACLASSROOM ACTIVITY FUND

General Controls and Administration

Control Risk Level: Moderate

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

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Recommendation – Initial Risk Assessment 2015

Club Balance Confirmation – We recommended that the High School and 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 would be performed at least once during the school year and at the end of each school year.

Risk Assessment Update – 2016 (This item is partially closed – implemented by the Middle School)

7. *We found that the Middle School has established procedures to confirm balances with each of the club advisors during the year. We understand that the High School plans to implement these procedures during the 2016-17 year.*

Cash Receipts

Control Risk Level: Moderate

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

Recommendation – Initial Risk Assessment 2015

Receipt Book – We recommended 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.

Risk Assessment Update – 2016

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

Recommendation – Initial Risk Assessment 2015

Student Treasurer Approvals – We recommended that the District establish procedures to require the High School deposit form be signed by the faculty advisor and the student treasurer.

Risk Assessment Update – 2016

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

Cash Disbursements

Control Risk Level: Moderate

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

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INFORMATION TECHNOLOGY

Governance

Control Risk Level: Moderate

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

- The District increased the iPads initiative by providing these devices to all students from 5th through 12th grade, totaling about 2,000 inventory items. We were informed that there have been very positive results with minimal issues related to loss, damage, or theft. There are good controls in place including the requirement for all students and their parents/guardians to sign standard forms; using AirWatch device management system (DMS) that allows the District to remotely cleanse the devices and monitors the inventory; and each iPad is laser etched with the RVC seal.
- Increased the technical staff from 5 full-time employees to 6 full-time employees mainly to assist with the iPad initiative, which increased the workload related to the annual monitoring, tracking, refreshing and maintaining of these devices.

Recommendation – Initial Risk Assessment 2015

Maintenance of IT Equipment – We recommended that the District improve the maintenance of Information Technology (IT) equipment by creating climate controlled environments for the server/network rooms and setting up a generator to adequately protect and maintain IT equipment during power outages.

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

We note that the District's bond project at the High School included the installation of climate controls in the server rooms, the creation of a new IT room for the technicians with climate controls and the installation of a generator to provide electricity to the entire High School during power outages. We understand that the District is in the process of setting up a generator, or expanding the coverage of the existing generator, to provide electricity to the Administration Building during power outages.

Network Security

Control Risk Level: Moderate

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

- The IT Department is in the process of setting up a more robust firewall, , and the plan is to have this in place starting July 2016.
- The IT Department is discussing the installation of a sophisticated intrusion detection system with several vendors and the goal is to set this up during October 2016.

Financial Application Security

Control Risk Level: Moderate

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

ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
June 21, 2016

Recommendation – Initial Risk Assessment 2015

User Account Permissions – We recommend that the District establish procedures to perform an annual review of 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.

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

We found that the District has reviewed the Finance Manager system’s user accounts and permissions in detail and made some revisions to properly align the permissions with each employee’s respective job duties. We understand that the District also established procedures to perform this review annually going forward.

Disaster Recovery

Control Risk Level: Moderate

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

STUDENT RELATED DATA AND SERVICES

Student Attendance Data

Control Risk Level: Moderate

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

Student Performance Data

Control Risk Level: Moderate

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

Student Transportation

Control Risk Level: Moderate

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

Recommendation – Initial Risk Assessment 2015

District Provided Fuel – We recommended that the District consider formalizing the diesel fuel arrangement with the transportation company and establish procedures to properly support the amount of gallons to be provided based on actual “live” miles driven by the buses. The calculation would exclude “dead” miles, which include distances from the bus yard to the District and between routes. We also suggested that the District discuss this matter with its legal counsel.

Risk Assessment Update – 2016

10. *We found that the District is in the process of determining the miles driven by the buses provided by the transportation company to determine if the 42,000 gallons of diesel fuel is reasonable. After completing this determination, the District plans to address the diesel fuel arrangement with the transportation company.*

ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
June 21, 2016

Recommendation – Initial Risk Assessment 2015

Review of Fuel Invoices – We recommended that the District establish procedures to perform and document a formal review of fuel invoices, to confirm that the number of gallons on the invoice agrees to the meter readings noted on the fuel ticket, and the price per gallon was verified to the commodities index.

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

We note that the District has established procedures to perform and document the formal review of fuel invoices, which includes confirming that the number of gallons on the invoice agrees to the meter readings noted on the fuel ticket and that the price per gallon was verified to the commodities index. The confirmation of the number of gallons agreeing to the meter reading is noted on the fuel ticket and the printout of the commodities index verification is attached to the invoice then submitted to the Accounts Payable Department for processing the payment.

Recommendation – Initial Risk Assessment 2015

Student Transportation Qualifications – We recommended that the District consider revising Board Policy #5720 – *Student Transportation Services* to include all students attending the same school building to have the same mileage requirements in order to be eligible for District provided transportation. Any change to the existing distance(s) would require a new proposition to the voters specifying the new mileage distance(s). Based on the policy, students in the same school may be eligible for transportation if they are in sixth grade, but are not entitled if they are in seventh or eighth grade.

Risk Assessment Update – 2016

- 11.** *We understand that the District is in the process of considering this comment. In addition to the Middle School having students in 6th through 8th grade, the St. Agnes school has students from kindergarten through 8th grade resulting in scenarios where students may be eligible for transportation up to 6th grade, but are not entitled starting in 7th grade.*

Student Safety and Security

Control Risk Level: Moderate

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

- The District has revised the district-wide safety plan and the school safety plans that consisted of meetings and discussions with local facilities in the community.
- The District worked with the local Police Commissioner to discuss the upgraded camera systems and utilizing the technological functionality to assist in the event of a school incident.
- There was an expansion of surveillance cameras that included the installation of approximately 200 cameras, both internal and external units.

ROCKVILLE CENTRE UFSD

CORRECTIVE ACTION PLAN

Rockville Centre Union Free School District
Intramural Correspondence

To: William H. Johnson, Ed.D., Superintendent of Schools
Board of Education Rockville Centre UFSD
From: Robert Bartels
Subject: Corrective Action Plan and Response to Risk Assessment Report dated
June 21, 2016.
Date: March 8, 2017

The Risk Assessment Report submitted by Cullen & Danowski, LLP contained a number of comments and recommendations to strengthen our internal accounting system. This report has been thoroughly reviewed and responses and corrective actions identified as necessary. Each of those responses and corrective actions is listed in detail below following the audit findings as they were presented in the report. Numbers have been assigned to each of the findings to assist in future discussions and reports on the status of these findings and corrective actions. It should be noted that the auditors did not identify any material weaknesses. It should also be noted that while all of the audit recommendations would add additional controls, there will always be additional controls to be recommended. Each recommendation has been reviewed and responded to as deemed appropriate by the business office.

REVENUE AND CASH MANAGEMENT

Receipts from Athletic Events

Receipts from Athletic Events -

1. We recommend that the District strengthen controls related to the cash receipts collected at the athletic events. This would include the use of pre-numbered tickets, accounting for the number of tickets when preparing the Deposit Form, and storing the receipts in the school's safe immediately after the event instead of taking the deposits home.

Corrective Action - Agreed. The Athletic Director has agreed to strengthen the controls over cash receipts collected at athletic events including storing the receipts for such events in the school's safe immediately after the event.

Implementation Date: Implemented June, 2016

Person Responsible for Implementation: Athletic Director

ROCKVILLE CENTRE UFSD

PAYROLL

Payroll Accounting and Reporting

Payroll Board Policy

2. We recommend that the District establish a Board Policy related to the payroll function. The following items should be considered when creating the policy:
 - A statement that no payment should be made to any employee prior to services being rendered to the District.
 - A statement that no person may be added to the payroll prior to approval by the Board of Education.
 - A statement regarding who may "certify" the payroll.

Corrective Action – Agreed. The Board will discuss establishing a Board Policy related to the payroll function. The internal auditors have offered to supply the District with a policy template.

Implementation Date: 2017-2018 school year.

Person Responsible for Implementation: Assistant Superintendent for Business

HUMAN RESOURCES

Employment Recruitment and Hiring

Annual Salary Letters

3. We recommend that the District consider re-implementing procedures of generating salary letters on an annual basis, listing the employee's annual salary for the year along with the respective step, as well as level for teachers.

Corrective Action – Agreed. Salary letters will be generated on an annual basis listing employee's annual salary for the year along with the respective step, as well as level for teachers.

Implementation Date: 2016-2017 school year.

Person Responsible for Implementation: Personnel Assistant

ROCKVILLE CENTRE UFSD

Employee Evaluations

4. We recommend that the District implement procedures to ensure that all employees are formally evaluated at least once per year. We noted that only the following employees received annual evaluations: principals, teachers' bargaining unit members, teacher assistants, teacher aides, nurses and security.

Corrective Action - Although this recommendation will be considered, evaluations are not currently required of district staff other than teachers, teacher aides and security.

FACILITIES AND CAPITAL PROJECTS

Facilities Maintenance and Operations

Biometric Time System -

5. We recommend that the District consider installing a biometric time management system to strengthen internal controls and enhance operational efficiencies related to recording, tracking and reporting employees' time.

Corrective Action - Agreed. The District is considering the installation of a biometric time management system to enhance operational efficiencies. Several alternatives and the costs related to these alternatives have been investigated.

Implementation Date: 2017-2018 school year.

Person Responsible for Implementation: Assistant Superintendent for Business

SCHOOL LUNCH

Sales Cycle and System

Financial Results

6. We recommend that the District consider including the respective employees' benefits costs (i.e. retirement system), related to the food service employees' salaries, in the school lunch fund when assessing the financial results of the food service program.

Corrective Action - The District included all benefit costs related to the food service employees' salaries in the financial results for the year ended June 30, 2016.

Implementation Date: June 30, 2016.

Persons Responsible for Implementation: Assistant Superintendent for Business

ROCKVILLE CENTRE UFSO

EXTRACLASSROOM ACTIVITY FUND

General Controls and Administration

Club Balance Confirmation -

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

Corrective Action - The High School will confirm the balances at the beginning of the year and sometime during the year.

Implementation Date: 2016-2017 school year.

Persons Responsible for Implementation: High School Central Treasurer

Cash Receipts

Receipt Book - 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.

8. 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.

Corrective Action - The Central Treasurer at the High School will develop procedures to advise the club that a deposit was received and deposited. Currently, a pre-numbered receipt form is prepared and signed by the Central Treasurer. A copy of this form will be sent to the club advisor after the deposit is made.

Implementation Date: March 31, 2017.

Person Responsible for Implementation: High School Central Treasurer

ROCKVILLE CENTRE UFSD

Student Treasurer Approvals – We note that the High School does not consistently require the student treasurers to sign the deposit form, which is submitted to the Central Treasurer. If the form is missing a student signature the Central Treasurer will still make the deposit.

9. We recommend that the District establish procedures to require the High School deposit form be signed by the faculty advisor and the student treasurer.

Corrective Action – Agreed. The Central Treasurer will review each deposit form for signature by the faculty advisor and the student treasurer before making deposit.

Implementation Date: March 1, 2017

Person Responsible for Implementation: High School Central Treasurer

INFORMATION TECHNOLOGY

Governance

Maintenance of IT Equipment – We found that the maintenance of information technology (IT) equipment could be improved, since we noted that the High School room with servers and switches lacks a proper climate control system (i.e., temperature and humidity) and there is no generator in place to cover the equipment during power outages.

10. We recommend that the District improve the maintenance of IT equipment by creating climate controlled environments for the server/ network rooms and setting up a generator to adequately protect and maintain IT equipment during power outages.

Corrective Action – Agreed. The District is currently undergoing construction related to a bond referendum. A generator has been set up to adequately protect and maintain IT equipment during power outages and discussions are underway to create a climate controlled environment for the server/network rooms.

Financial Application Security

User Account Permissions – We found that the District has reviewed the Finance Manager system's user accounts and permissions in the past to ensure that the accounts are appropriate and the permissions are aligned with each employee's job duties.

11. We recommend that the District establish procedures to perform an annual review of 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.

Corrective Action – Agreed. A documented review of the User Account Permissions will be done annually.

ROCKVILLE CENTRE UFSD

Implementation Date: February 29, 2016.

Person Responsible for Implementation: Assistant Business Manager and Treasurer.

STUDENT RELATED DATA AND SERVICES

Student Transportation

District Provided Fuel - We understand that there is a memo dated January 15, 2008 stating that the District will provide 42,000 gallons of diesel fuel to the transportation company as per the contract. However, the contract lacks any language to support this arrangement. In addition, there is a lack of documentation to support the miles actually driven to substantiate this number of gallons.

12. We recommend that the District consider formalizing the diesel fuel arrangement with the transportation company and establish procedures to properly support the amount of gallons to be provided based on actual "live" miles driven by the buses. The calculation should exclude "dead" miles, which include distances from the bus yard to the District and between routes. We also suggest that the District discuss this matter with its legal counsel.

Corrective Action - The diesel fuel arrangement with the district's transportation company has been in effect for many years and has proven to benefit the district and provide cost savings. However, the District agrees that the arrangement with the transportation company should be formalized and will discuss this matter with its legal counsel.

Implementation Date: June 30, 2017.

Person Responsible for Implementation: Assistant Superintendent for Business

Review of Fuel Invoices - We found that the review of fuel invoices from Metro could be improved since the Transportation Clerk does not confirm the number of gallons on the invoice to the meter readings noted on the attached fuel ticket and the price per gallon is not verified to the commodities index.

13. We recommend that the District establish procedures to perform and document a formal review of fuel invoices, to confirm that the number of gallons on the invoice agrees to the meter readings noted on the attached fuel ticket, and the price per gallon was verified to the commodities index.

Corrective Action - Agreed. All fuel invoices will be documented to confirm the number of gallons on the invoice agrees to the fuel ticket and the price per gallon is verified to the commodities index.

Implementation Date: Implemented.

Person Responsible for Implementation: Transportation Clerk

ROCKVILLE CENTRE UFSD

Student Transportation Qualifications - As per Board Policy #5720 - Student Transportation Services, students are eligible for District transportation if they reside outside eight-tenths (0.8) of a mile in Kindergarten to sixth grade and one and three-tenths (1.3) of a mile in seventh through twelfth grade. The District has restructured the grade levels in each school and the Middle School now holds grades six through eight. Therefore, students may be eligible for transportation in sixth grade, but are not entitled beginning in seventh grade.

14. We recommend the District consider revising Board Policy #5720 - Student Transportation Services to include all students attending the same school building to have the same mileage requirements in order to be eligible for District provided transportation. Any change to the existing distance(s) would require a new proposition to the voters specifying the new mileage distance(s).

Corrective Action - The Board of Education will review Board Policy #5720 - Student Transportation Services in connection with providing transportation for all students at the Middle School. The Board of Education is aware that a new proposition to the voters specifying the new mileage distance(s) would be required to change the mileage requirements for eligibility.

Implementation Date: 2017-2018 school year.

Person Responsible for Implementation: Assistant Superintendent for Business.