



Copiague Union Free School District

Risk Assessment Update Report

for the Period Ending

February 28, 2022

**Copiague Union Free School District
Risk Assessment Update Report
For the Period Ending February 28, 2022**

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Board of Education
Copiague Union Free School District
2650 Great Neck Road
Copiague, NY 11726

We have completed our risk assessment update of the Copiague Union Free School District (the “District”) for the period ending February 28, 2022. The objectives of the engagement were to assist the Board of Education (the “Board”) in ensuring that the District’s risks are identified and that appropriate internal controls are in place to mitigate those risks.

In connection with the development of the risk assessment, we have performed the following procedures:

- Gained an understanding of the internal controls for the following key business processes:
 - Governance and Planning
 - Accounting and Reporting
 - Cash Receipts
 - Cash Management
 - Revenue and Billings
 - Grants
 - Payroll
 - Human Resources
 - Benefits
 - Purchasing and Related Expenditures
 - Facilities and Capital Projects
 - Capital Assets
 - Food Service Operations
 - Extraclassroom Activity Fund
 - Information Technology
 - Student Related Data and Services
 - Transportation Services
 - Student Services
- Identified the risks that could inhibit the District in achieving its goals;
- Identified the internal controls that the District has in place that are designated to mitigate identified risks; and
- Identified key areas where the District can strengthen existing internal controls and/or create additional internal controls.

The results of our procedures are presented on the following pages.

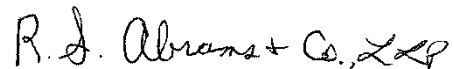
As noted, the purpose of our engagement was to assist you in improving the process by which you monitor and manage the risks that face your District. However, it is ultimately your responsibility to assess the adequacy of your risk management system.

In performing our engagement, we relied on the accuracy and reliability of information provided by District personnel. We have not audited, examined, or reviewed the information, and express no assurance on it.

We would like to acknowledge the courtesy and assistance extended to us by personnel of the District. We are available to discuss this report with the Board or others within the District as your convenience.

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

Very truly yours,

A handwritten signature in cursive script that reads "R.S. Abrams & Co., LLP".

R.S. Abrams & Co., LLP
February 28, 2022

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Executive Summary

This report serves to address the second requirement of Chapter 263 of the laws of New York, 2005, which requires all school districts to establish an internal audit function. The internal audit function requirement includes the engagement of a qualified audit firm or individual to make an initial assessment of risk surrounding the design of the District's internal controls, annual updates of the initial risk assessment and testing of these controls on a periodic basis for operational effectiveness.

This risk assessment update is intended to provide management with information to enhance and strengthen the District's controls and to reduce the District's risk relating to its financial processing and reporting operations.

We determined the status for the current year's risk assessment update through various methods, including inquiry of appropriate District personnel involved in these processes, observation of the controls in place, results of internal control questionnaires related to the various business units and testing the controls where necessary to determine if they have been put in place and are functioning as intended.

Additionally, we have reviewed the results of the reports issued by our firm during the prior year, including our reports on Fund Balance Management and Reserves, Systems to Track and Account for Children, and Risk Assessment Update Report for the Period Ending March 31, 2021 to determine if relevant controls have been put in place based on those reports.

The risk assessment requires an internal auditor to obtain an understanding of the risks associated with the various business processes within the District. This requirement involved two categories of risk as follows:

- **Inherent Risk** - the risk associated with the nature and type of transactions processed due to complexity, materiality and quantity of the transactions.
- **Control Risk** – the risk that the internal control system is not adequately designed to prevent or detect errors or irregularities on a timely basis that could be material individually or when aggregated with misstatement in other balances or account classes.

The risk areas have been identified and appropriate risk levels have been determined. The risk levels are defined as follows:

- **High Risk** – these are areas identified as posing the greatest potential risk for the school district and which carry the highest priority. Any outstanding items will be carried over and re-evaluated in the following year's risk assessment.
- **Moderate Risk** – these are areas identified as to be of second level priority and will be addressed after the high-risk items are completed. Any outstanding items will be carried over and re-evaluated in the following year's risk assessment.
- **Low Risk** – these areas are considered lowest priority and will be addressed after the high and moderate risk items are completed.

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We have summarized our assessment of inherent risk and control risk for the current and prior year, as well as our testing plan, in our *Assessment of Risk and Testing Plan* (See Appendix A).

Process Review Summary and Proposed Business Processes

The following represents the business processes where we have provided internal audit services and the business processes, we are proposing for period ending June 30, 2023:

Extensive System Reviews:

- 2021 – 2022: Transportation Services and Capital Assets
- 2020 – 2021: STAC and Fund Balance Management and Reserves
- 2019 – 2020: Grants and Benefits
- 2018 – 2019: Payroll Processing and Human Resources
- 2017 – 2018: Cash Receipts Processes and Capital Projects
- 2016 – 2017: Information Technology and Food Service Operations
- 2015 – 2016: Cash Management and Procurement and Claims Processing
- 2014 – 2015: Capital Assets and Extraclassroom Activity Fund
- 2013 – 2014: Human Resources and Payroll
- 2012 –2013: System to Track and Account for Children (STAC) and Student Related Data Services
- 2011 – 2012: Transportation Services and Information Technology
- 2010 – 2011: Food Service Operations and Extraclassroom Activity Fund
- 2009 – 2010: Grants and Information Technology
- 2008 – 2009: Cash Receipt and Capital Assets
- 2007 – 2008: Personnel and Payroll Processing and Procurement and Claims Processing

Extensive Systems Proposed:

- 2022 – 2023: Student Related Data Services Extraclassroom Activity Fund

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Status of Prior Year

Low Risk Items

ACCOUNTING AND REPORTING

RESERVES AND FISCAL HEALTH

Previous Control Risk Level: **Moderate (M)**

Reason for Previous Control Risk Level: Based on our prior year risk assessment update, we assessed the control risk for the District's reserves and fiscal health as moderate based on the following reason:

- Due to the uncertainty in operations caused by COVID-19 during the fiscal year ended June 30, 2020, the District allowed the unassigned fund balance to exceed the 4% limit in case of any unforeseen expenses related to COVID-19. We noted the total unassigned fund balance exceeded the 4% limit, as promulgated by Real Property Law §1318, by 4.09% of the 20/21 budget.

Current Year Status: We noted the total unassigned fund balance for the fiscal year ended June 30, 2021 exceeded the 4% limit, as promulgated by Real Property Law §1318, by 2.16% of the 21/22 budget. However, based on the District's most recent fund balance projection, the District is expected to be below the 4% limit for the fiscal year ending June 30, 2022.

As such we updated the level of control risk to low.

Updated Control Risk Level: **Low (L)**

FINANCIAL ACCOUNTING, REPORTING AND OVERSIGHT

Previous Control Risk Level: **Moderate (M)**

Reason for Previous Control Risk Level: Based on our prior year risk assessment update, we assessed the level of control risk as moderate for the District's financial accounting, reporting, and oversight processes based on the following reason:

- The Board of Education was provided with the revenue and appropriations status for the general fund and an operating report for the school lunch fund, but was not provided revenue and appropriation status reports for the District's other funds as required by section 170.2(o) of the Commissioner's Regulation.

Current Year Status: The Board of Education is provided with the revenue and appropriations status for all funds as required by section 170.2(o) of the Commissioner's Regulation.

As such we updated the level of control risk to low.

Updated Control Risk Level: **Low (L)**

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BENEFITS

MEDICAL BENEFITS

Previous Control Risk Level: **Moderate (M)**

Reason for Previous Control Risk Level: Based on our prior year risk assessment update, we had assessed the level of control risk as moderate for the District's medical benefits based on the following reasons:

- Six out of twenty-five individuals selected for testing did not have documentation on file to support dependent coverage.
- The health insurance declination forms utilized by the District were required to be completed only once, when health insurance was initially declined. The form specified an effective date range of one year. However, a new form was not required after the date range on the form has elapsed. In addition, employees were not required to provide proof of alternate health insurance on an annual basis.

Current Year Status: During our risk assessment update, we noted all ten individuals selected for testing had proper documentation on file.

As such we updated the level of control risk to low.

Updated Control Risk Level: **Low (L)**

Current Year Review

Low Risk Items

GOVERNANCE AND PLANNING

GOVERNANCE AND CONTROL ENVIRONMENT

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the District's governance and control environment processes based on the following reasons:

- Fund balance projections are prepared during the budget development process to adequately determine the appropriate funding of reserves and assigned fund balance at year end. Fund balance projections are provided to the Board beginning in February or March of each fiscal year. The Board has adopted policy No. 5300, *Code of Conduct*, as required by Education Law § 2801.

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- The Board has adopted policy No. 9100, *Staff Employee Code of Ethics*, which is in force for all District employees, which demonstrates the Board's commitment to cascading an ethical environment within the District and complies with General Municipal Law §806.
- The Board has adopted policy No. 1920, *Relations with Parents with Disabilities*, as required by Education law § 3230, policy No. 1120, *School District Records*, as required by Public Officers Law § 87, and policy Nos. 2120, *School Board Elections*, and 6100, *Annual Budget*, as required by Education Law § 2035.
- An Audit Committee has been appointed in accordance with Chapter 263 of the Laws of 2005 and a related audit committee charter has been developed and adopted by the Board of Education.
- The Board of Education has received the required training in accordance with Chapter 263 of the Laws of New York 2005.
- An organization chart that details the lines of communication within the District is in place.
- The District makes all Board of Education policies available to employees on the District's website. Further, by publishing the policies on the District's website, the Board ensures transparency to the residents of the District.

BUDGET DEVELOPMENT ADMINISTRATION

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the District's budget administration processes based on the following reasons:

- The District has adopted budget policies that include policies surrounding the District's budget development and preparation procedures and budget administration.
- All of the District's budget information is posted on the District's website for easy access to the District's residents.
- The District mass encumbers all known obligations, including such items as BOCES obligations and salaries at the beginning of the fiscal year, which is an important aspect of proper budgetary controls to allow management to arrive at a reasonably accurate estimate of uncommitted appropriations at year end.
- The District's accounting information system has controls in place whereby encumbrances cannot be placed in excess of budgeted amounts.

BUDGET TRANSFERS

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the District's budget transfers processes based on the following reasons:

- The District has adopted policy No. 6150, *Budget Transfers*, which authorizes the superintendent to make budget transfers between line item accounts in an amount not to

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exceed \$10,000. Budget transfers in excess of \$10,000 must be approved by the Board of Education.

- The District utilizes a formal *Budget Transfer Request* form to initiate the transfer in the accounting information system, which facilitates the approver's signatures.
- The individual who processes the budget transfers in the accounting information system is independent of the accounts payable function, thus a proper segregation of duties in the budget transfer process.
- The District has proper controls in place surrounding budget transfers; including proper authorizations, segregation of duties between the initiation, authorization and recording of budget transfers.

CASH MANAGEMENT

CASH AND INVESTMENT MANAGEMENT

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the District's cash and investment management processes based on the following reasons:

- The District has adopted policy No. 6240, *Investments*, which addresses procedures surrounding the treatment of District investments.
- The District has adopted policy No. 6670, *Petty Cash Accounts*, which establishes the District's petty cash funds at an amount not to exceed \$100, which is in accordance with state requirements.
- The District tracks the amount of collateral that is being held by third party banks on a monthly basis to verify that the value of pledged securities is sufficient to cover the District's deposits in excess of federal insurance limits.
- Monthly bank reconciliations prepared by the District Treasurer are reviewed and approved by the Assistant Superintendent for Finance and Operations on a monthly basis prior to the Board receiving the treasurer reports.

WIRE TRANSFERS AND BANKING CONTROLS

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the control risk for the District's wire transfers and banking controls as low based on the following reasons:

- For interbank and intrabank wire transfers, the District Treasurer logs onto the banking institution's website to initiate a wire transfer. A print out of the initiation of the wire transfer and other related supporting documentation is forwarded to the Assistant Superintendent for Finance and Operations to review. Once reviewed, the District Treasurer logs onto the banking

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institution's website to release the transfer of funds. This is a strong banking control to ensure that not one individual has the ability to transfer funds from District bank accounts.

- The confirmation of the transfer of funds is printed, initialed by the District Treasurer and attached to the relevant supporting documentation before being filed away.
- The District adopted policy No. 6415, *Electronic or Wire Transfers*, surrounding the monitoring of the transfer of funds via online banking between various accounts and the transfer of funds from District accounts to non-District accounts.

BANK RECONCILIATIONS

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the District's bank reconciliations processes based on the following reasons:

- Monthly bank reconciliations prepared by the District Treasurer are reviewed and approved by the Assistant Superintendent for Finance and Operations on a monthly basis prior to the Board receiving the treasurer reports.
- The District Treasurer provides the monthly treasurer reports to the Board.
- The District investigates and tracks outstanding checks and reconciling items monthly.
- The District has procedures regarding the treatment of old outstanding checks and reconciling items.

BANKING SECURITY

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the District's banking security processes based on the following reasons:

- The District utilizes positive pay for payroll accounts and disbursement accounts.
- The District enabled ACH blocks on certain bank accounts preventing ACH debits from being processed.
- The District enabled ACH filters that only allow pre-approved debits to be processed.
- The District has adopted policy No. 6415, *Electronic or Wire Transfers*, which addresses procedures surrounding online banking and banking security.

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PAYROLL

PAYROLL DISTRIBUTION

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the District's payroll distribution processes based on the following reasons:

- The payroll clerk generates the electronic direct deposit file and the District Treasurer reviews it for accuracy. The file is then uploaded to the banking website by the District Treasurer
- Unclaimed payroll checks are not returned to the employee responsible for processing payroll, and are sent out via postal mail by the building level clerical staff.

PAYROLL ACCOUNTING AND REPORTING

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the District's payroll accounting and reporting processes based on the following reasons:

- All overtime is required to be preapproved by the employee's supervisor.
- The District requires employees to submit timesheets for all non-contractual payments, when applicable. The timesheets must be reviewed and approved by the employee's supervisor prior to payment being issued.
- The *Payroll Comparison Report* is printed by the payroll clerk who notes the reason for all changes on the report.
- The Senior Account Clerk reviews the payroll and all supporting documentation prior to the printing of payroll checks.
- The Board of Education has appointed the Claims Auditor as the official payroll certification officer.

TAX FILING AND RECONCILIATION PROCESS

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the control risk for the District's tax filing and reconciliation processes as low based on the following reasons:

- The quarterly IRS Forms 941 are reviewed and approved by the Assistant Business Administrator prior to submission.
- The District reconciles the IRS Forms 941 to the District's expenditure ledger on a quarterly basis.
- All required tax filings are performed in a timely manner.

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GRANTS

GENERAL PROCESSING AND MONITORING

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the District's grant processing and monitoring procedures based on the following reasons:

- The District properly files FS-25 forms requesting funds during the course of the project to ensure sufficient cash flow exists for the grant period. Additionally, this reduces cash flow constraints on the District's general fund.
- The District has procedures in place to ensure that the final expenditure reports agree to the District's general ledger and accounting information system.
- The District has adopted legally required Board policies related to: Title I parent and family engagement, equivalence in instructional staff and materials, programs for students with disabilities under IDEA and Article 89, provision of special education services in the least restrictive environment, schoolwide pre-referral approaches and interventions, confidentiality and access to IEPs, IESPs and SPs, availability of alternative format instructional materials, assessments of students with disabilities, impartial hearing officers, declassification of students with disabilities, public report upon a finding of significant disproportionality, preschool students with disabilities, and special education personnel, qualifications and training.

We did note the District did not spend at least 85% of the current year's grant allocation and the District's carryover to the subsequent grant year exceed 25% of the current year's allocation. Normally, the above comments would constitute a finding but on November 9, 2021 the United States Department of Education (USDE) offered the states the ability to apply for waivers related to the expenditure of the School Year 2019-20 and 2020-21 funds. As a result of the USDE Waivers LEAs may carryover up to 100% of 20-21 ESSA funds to use during the 2021-22 school year to meet new identified needs without submitting a waiver request to NYSED.

ALLOWABLE COSTS AND COMPLIANCE

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk for the District's grant allowable costs and compliance processes as low based on the following reasons:

- The District ensures that proper documentation is maintained for employees whose salaries are charged to grants.
- The District requires that payroll certifications be prepared for employees that are charged to the District's grants, in accordance with federal requirements.
- The District's external auditors perform a "single audit" as required under federal guidelines to test allowable costs and compliance.

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- The District requires written contracts with the approved special education programs (ASEPs) which provides for a vendor relationship between the District and the ASEP.
- The District requires that ASEPs provide the District with an expense report at year-end which is reviewed by the grant administrator.
- There is a proper level of review and approvals in place to verify that the expenditures for the grants are allowable and are in compliance with grant agreements.

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APPENDIX A

Legend		
✓		Extensive system process review completed
■		Extensive system process review proposed
•		Processes evaluated
P		Process subject to periodic duties
H = High M = Moderate L = Low		

BUSINESS PROCESSES & SUBPROCESSES	Inherent Risk		Control Risk		Audit Plan		
	03/31/21	02/28/22	03/31/21	02/28/22	20-21	21-22	22-23
GOVERNANCE & PLANNING							
Governance and Control Environment	H	H	L	L		•	
Budget Development and Administration	H	H	L	L		•	
Budget Transfers	H	H	L	L		•	
ACCOUNTING & REPORTING							
Financial Accounting, Reporting and Oversight	M	M	M	L	✓	•	
Auditing	M	M	L	L	✓		
Fund Balance Management	H	H	L	L	✓		
Reserves and Fiscal Health	H	H	M	L	✓	•	
CASH RECEIPTS							
Collection and Posting of Receipts	H	H	L	L	P	P	
CASH MANAGEMENT							
Cash and Investment Management	H	H	L	L	P	•	
Wire Transfers and Banking Controls	H	H	L	L		•	
Bank Reconciliations/Treasurer Reports	H	H	L	L	P	•	
Banking Security	H	H	L	L		•	
REVENUE & BILLINGS							
Tuition/Health Services	M	M	L	L	•		
GRANTS							
General Processing and Monitoring	H	H	L	L	✓	•	
Allowable Costs and Compliance	H	H	L	L	✓	•	
PAYROLL							
Payroll Distribution	H	H	L	L		•	
Payroll Accounting and Reporting	H	H	L	L	P	•	
Tax Filings and Reconciliation process	M	M	L	L		•	
HUMAN RESOURCES							
Employment Requisition and Hiring	M	M	L	L	•		
Employment Termination	M	M	L	L	•		
Employee Attendance	H	H	L	L	•		
Separation Payments	H	H	L	L	•		
BENEFITS							
Eligibility and Benefit Calculations	H	H	L	L			
Medical Benefits	H	H	M	L		•	
Retiree Health Insurance	H	H	L	L			
Fringe Benefits	H	H	L	L			
PURCHASING & RELATED EXPENDITURES							
Purchasing Process and Purchase Order System	H	H	L	L	•		
Payment Processing	H	H	L	L	•		
Travel and Conferences	H	H	L	L	•		

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APPENDIX A

Legend	
✓	Extensive system process review completed
■	Extensive system process review proposed
•	Processes evaluated
P	Process subject to periodic duties
H = High M = Moderate L = Low	

BUSINESS PROCESSES & SUBPROCESSES	Inherent Risk		Control Risk		Audit Plan		
	03/31/21	02/28/22	03/31/21	02/28/22	20-21	21-22	22-23
FACILITIES & CAPITAL PROJECTS							
Facilities Maintenance	H	H	L	L	•		
Construction Planning and Monitoring	M	M	L	L	•		
Final Building Projects Reports	H	H	L	L	•		
CAPITAL ASSETS							
Acquisition, Disposal and Capitalization Policy	H	H	L	L	P	✓	
Inventory Tracking	H	H	L	L	P	✓	
FOOD SERVICE OPERATIONS							
Federal and State Reimbursement	H	H	L	L			
Sales Cycle	H	H	L	L			
Inventory and Purchasing	M	M	L	L			
Eligibility Verification	N/A	N/A	N/A	N/A			
Vending Machines	M	M	L	L			
EXTRA CLASSROOM ACTIVITY FUND							
General Controls	H	H	L	L	•		■
Cash, Cash Receipts and Disbursements	H	H	L	L	•		■
INFORMATION TECHNOLOGY							
Governance	M	M	L	L			
Network Security	H	H	L	L			
Financial Application Security	H	H	L	L			
Disaster Recovery	H	H	L	L			
Permissions	H	H	L	L			
STUDENT RELATED DATA & SERVICES							
Student Attendance	H	H	L	L			■
Student Performance Data	M	M	L	L			■
Student Security and Safety	H	H	L	L			■
TRANSPORTATION SERVICES							
Student Transportation	H	H	L	L		✓	
Transportation Contracts	L	L	L	L		✓	
Transportation State Aid	H	H	L	L		✓	
STUDENT SERVICES							
STAC	H	H	L	L	✓		
Medicaid	H	H	L	L	✓		