

**Sachem Central School District**

**Risk Assessment Update Report**

**Date**, 2013

## Risk Assessment Update Report

To the Board of Education and Audit Committee  
Sachem Central School District  
Holbrook, New York

We have performed the annual risk assessment update of the Sachem Central School District (District) as required by Chapter 263 of the laws of New York, 2005 and as per our agreement of July 1, 2013.

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

Specifically, we performed the following:

- Developed an understanding of the critical business processes of the District. These critical business processes included but were not limited to:
  - Governance and planning
  - Accounting and reporting
  - Revenue and cash management
  - Payroll
  - Human resources
  - Benefits
  - Purchasing and related expenditures
  - Grants and special education
  - Facilities and capital projects
  - Capital assets
  - 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 Sachem Central School District, and is not intended to be and should not be used by anyone other than these specified parties.

Date, 2013

## SACHEM CENTRAL SCHOOL DISTRICT

### Introduction

Date, 2013

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Chapter 263 of the Laws of New York, 2005 requires all 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.

## SACHEM CENTRAL SCHOOL DISTRICT

### Introduction (Continued)

Date, 2013

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

Report Type	Issue Date	Area(s)
Risk Assessment	November 19, 2012	District-wide
Agreed-Upon Procedures	March 1, 2012	Food Services and Benefits
Agreed-Upon Procedures	November 20, 2012	Special Education

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](mailto:Fsanda133@mail.nysed.gov)

### ***Contact***

Mr. John Cushin  
(518) 474-5928

## SACHEM CENTRAL SCHOOL DISTRICT

## Risk Assessment Table

Date, 2013

(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				H			H	
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	01/20/11	L			L			
Cash and Investments Management			M			M		
Bank Reconciliations			M			M		
Payroll								
Payroll Accounting and Reporting	08/26/11	L			L			
Tax Filings and Reconciliations	08/26/11	L			L			
Payroll Distribution			M			M		
Human Resources								
Employment Recruitment and Hiring			M			M		
Employee Administration and Termination			M			M		
Employee Attendance			M			M		
Benefits								
Administration	03/01/12		M			M		
Payments and Cost Sharing	03/01/12		M			M		
Purchasing and Related Expenditures								
Purchasing System and Process	01/20/11	L			L			
Payment Process	01/20/11	L			L			
Credit Cards			M			M		
Grants and Special Education								
General Processing/Monitoring			M			M		
Special Education	11/20/12		M			M		
Facilities and Capital Projects								
Facilities Maintenance & Operations			M			M		
Capital Projects			M			M		

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

## SACHEM CENTRAL SCHOOL DISTRICT

## Risk Assessment Table (Continued)

Date, 2013

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

Business Process Area	Date of Detailed Testing *	Control Risk						Proposed Detailed Testing
		Prior Year			Current Year			
Capital Assets								
Acquisition and Disposal	01/20/11	L			L			
Maintenance and Inventories			M			M		
Food Services								
Sales Cycle and System	03/01/12		M			M		
Purchasing and Inventory	03/01/12		M			M		
Federal and State Reimbursements	03/01/12		M			M		
Free and Reduced Lunch	03/01/12		M			M		
Extraclassroom 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		

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

## SACHEM CENTRAL SCHOOL DISTRICT Risk Assessment Update Report Date, 2013

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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:

- We were informed during several of our interviews with administrators that there is overall concern with work levels, which includes completing tasks fully, timely and accurately, due to increased workload resulting from staff reductions and employee transitions in effect for the 2013-14 year.
- The District is using new meeting software (MinuteTraq) to facilitate the management of Board agendas and minutes. From all indications this will improve efficiency and control of the Board agendas.

#### Recommendation – Risk Assessment 2012

We recommended that the District Clerk establish procedures to track and maintain Board policy changes. For example, maintain an Excel spreadsheet that lists the Board policy information (number and title), type of change (new or revised), and Board meeting dates.

#### Risk Assessment Update – 2013 (This item is now closed)

*We note that the District Clerk has established a procedure to track and maintain Board policy changes. The employee has created a log that lists the Board policy information (number and title), type of change (new or revised), and Board meeting dates.*

#### **Budget Development, Administration and Fund Balance Management**

Control Risk Level: High

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

- The District has been forced to reduce spending significantly for the 2013-14 year. Even with these cuts, the 2013-14 budget is dependent on over \$7 million of appropriated fund balance and reserves. It is likely that substantially all of the expenditure budget will be spent in 2013-14 with the result that this \$7 million of funding will not be available for the 2014 -15 year.

#### Recommendation – Risk Assessment 2011

We recommended that the District prepare a fund balance projection for the year ending June 30, 2012, and consider the ramification for the 2012-13 and subsequent years' budgets. Significant spending reductions would be necessary to limit the loss in the general fund over the next several years to a manageable level.

#### Risk Assessment Update – 2012

1. We noted that the District's general fund operated at a deficit in excess of \$15 million for the year ended June 30, 2012. This structural deficit would be very difficult to turn around considering the lack of additional or increased revenue resources and without significant cost reductions. We again recommended that the District assess address this serious issue as soon as practical.



## SACHEM CENTRAL SCHOOL DISTRICT Risk Assessment Update Report (Continued) Date, 2013

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### Risk Assessment Update – 2013

*We note that the 2013-14 budget was reduced substantially, which resulted in a reduction of staff and certain programs. The development of the 2014-15 budget will continue to be challenging in terms of maintaining programs. The Associate Superintendent for Business believes that the budget reduction for 2013-14 should resolve the District's structural deficit going forward.*

### **ACCOUNTING AND REPORTING**

#### **Financial Accounting and Reporting**

Control Risk Level: Moderate

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

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

#### **Auditing (External, Internal, and Claims)**

Control Risk Level: Moderate

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

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

### **REVENUE AND CASH MANAGEMENT**

#### **Revenue Management**

Control Risk Level: Moderate

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

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

#### **Billings**

Control Risk Level: Moderate

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

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

#### **Collections and Posting of Receipts**

Control Risk Level: Low

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

- The Business Office has developed an Excel spreadsheet to maintain a log of receipts from the schools.

## SACHEM CENTRAL SCHOOL DISTRICT Risk Assessment Update Report (Continued) Date, 2013

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- The web based programs (PayForIt and US Data Capture) to facilitate online payments now includes the Summer Enrichment Program and student exam fees (PSAT, SAT and ACT), in addition to the food services program and the Child Care Program.

### Recommendation – Risk Assessment 2012

We recommended that the District utilize the accounts receivable component of the accounting module within the Pentamotion financial system to establish more efficient and automated procedures related to invoicing, posting receipts and managing account balances.

### Risk Assessment Update – 2013 (This item is now closed)

*We found that the District has established procedures to utilize the accounts receivable component of the accounting module within the Pentamotion financial system to invoice third parties for the use of facilities. We understand that the District is planning to expand the use of the accounts receivable component to include food services invoices related to billing for catering events.*

### **Cash and Investment Management**

Control Risk Level: Moderate

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

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

### **Bank Reconciliations**

Control Risk Level: Moderate

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

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

## **PAYROLL**

### **Payroll Accounting and Reporting**

Control Risk Level: Low

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

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

### **Tax Filings and Reconciliations**

Control Risk Level: Low

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

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

SACHEM CENTRAL SCHOOL DISTRICT  
Risk Assessment Update Report (Continued)  
Date, 2013

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**Payroll Distribution**

Control Risk Level: Moderate

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

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

**HUMAN RESOURCES**

**Employment Recruitment and Hiring**

Control Risk Level: Moderate

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

- The District has installed a digitized scanner to handle the fingerprinting process. This should improve the efficiency and reliability of the fingerprinting process.

**Recommendation – Risk Assessment 2012**

We recommended that the District review the roles and responsibilities for Personnel Department and Payroll Department staff to ensure operational efficiencies and segregation of duties. We also recommended that the procedures should ensure that the employee salary calculations are reviewed and approved by someone independent of preparing these amounts.

**Risk Assessment Update – 2013 (This item is now closed)**

*We understand that this item has been considered and the District has decided to maintain the existing procedures instead of implementing the recommendation. As noted above, the reduction of staffing levels since last year's risk assessment and the transfer of responsibilities is under review by the District's administration.*

**Employee Administration and Separations/Terminations**

Control Risk Level: Moderate

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

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

**Recommendation – Risk Assessment 2012**

We recommended that the District consider revising the employee ID numbers to include only some of the digits of the employee's social security number (e.g., the first six digits) or use another type of number to strengthen controls over sensitive personal data, since the District uses the full social security number as the employee ID numbers.

**Risk Assessment Update – 2013 (This item is now closed)**

## SACHEM CENTRAL SCHOOL DISTRICT Risk Assessment Update Report (Continued) Date, 2013

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*We understand that the District has decided to continue using the full social security number as the employee ID number because this has been in practice for many years, the NYSED TEACH system requires the use of social security numbers and it facilitates searching, filing and retrieval of records.*

### Recommendation – Risk Assessment 2012

We recommended that the District develop processes to enhance the communication between the Personnel Department and the Payroll Department by implementing the following:

- Ensure both sides (instructional and non-instructional) of the Personnel Department prepare and continuously update a leave of absence spreadsheet.
- Modify the spreadsheet to include employees who will go out on leave in the future, but are currently using sick time and include the number of sick hours remaining for each employee that will be used before the employee will be removed from the payroll.
- Establish a process where the spreadsheets are forwarded to the Payroll Department each payroll cycle.

### Risk Assessment Update – 2013 (This item is now closed)

*We understand that the Personnel Department notifies the Payroll Department via memo for all changes. The Assistant Superintendent for Personnel believes that the Personnel Department communicates very well with the Payroll Department.*

### Employee Attendance

Control Risk Level: Moderate

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

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

## **BENEFITS**

### Administration

Control Risk Level: Moderate

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

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

### Recommendation – Agreed Upon Procedures March 2012

2. We recommended that the District establish a Board policy for the employee benefits function or modify the existing payroll policy to include language such as "no benefit shall be paid by the District for an employee unless the benefit is contained in a bargaining unit contract or an individual contract that has been approved by the Board." In addition, we recommended that the Board indicate in the policy that the District is required to develop written, formal procedures for all significant processes performed in the benefits function. Further, the policy should provide guidance over terminating enrollees for lack of timely payments, and requirements regarding the process of ensuring that retired enrollees have not become deceased.

## SACHEM CENTRAL SCHOOL DISTRICT Risk Assessment Update Report (Continued) Date, 2013

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### Risk Assessment Update – 2013

*We have been informed that no benefit has been paid by the District that is outside a collective bargaining agreement, an individual contract or a side letter approved by the Board. We again recommend that the District consider establishing a Board policy for the employee benefits function or modify the existing payroll policy as noted above. We suggest that the District work with its legal counsel regarding this matter.*

### Recommendation – Agreed Upon Procedures March 2012

We recommended that the District develop formal written procedures for all significant processes with the benefits function and centralize these procedures to ensure availability.

### Risk Assessment Update – 2013 (This item is now closed)

*We note that the Payroll/Benefits Department has developed written, formal procedures and maintains a benefits binder that contains these documents along with tables, charts of rates, and memos. We understand that the Department plans to continue developing written, formal procedures going forward.*

### Recommendation – Agreed Upon Procedures March 2012

We recommended that the District realign the roles and responsibilities of the two benefits clerks so that each clerk participates in every plan. One clerk should focus on dealings with the providers and the other clerk should focus on dealings with enrollees and the applicable payroll deductions. The reconciliations performed between the District's records and the provider invoices should be alternated by the clerks. Periodically, the clerks should exchange their roles to provide the clerks with cross training opportunities. Making these changes would strengthen segregation of duties in the benefits function (e.g., no one employee could process a transaction from beginning to end).

### Risk Assessment Update – 2013 (This item is now closed)

*We note that the District is in the process of assessing and realigning the duties, which should be completed by October 2013.*

### Recommendation – Agreed Upon Procedures March 2012

3. We recommended that the District modify the language in the collective bargaining agreements to address the following:
  - Determine how to handle the employee contribution amount for the excess of 5% increase in health insurance premiums in the year(s) subsequent to the event occurring (for the applicable bargaining units).
  - Identify the cap amount on the District's responsibility for teacher dental premiums.
  - Specify the District's and the enrollee responsibilities for dental premiums for the SAA, SSA, and UPSEU-SSSU bargaining units.
  - Determine if the District should include, in future contract negotiations, a stipulation intended to limit the District's responsibility for health insurance premiums for part-time employees.

## SACHEM CENTRAL SCHOOL DISTRICT Risk Assessment Update Report (Continued) Date, 2013

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### Risk Assessment Update – 2013

*We note that the District has not begun negotiations with representatives of the collective bargaining units. We again recommend that the District modify the language in the collective bargaining agreements to address the items noted above. We suggest that the District work with its legal counsel regarding this matter.*

### Recommendation – Agreed Upon Procedures March 2012

We recommended that the District strengthen the processes associated with reconciling plan provider invoices to the District records by implementing the following:

- Utilize a *Change Log* to record all changes to health insurance that have a financial impact. Agree the changes found on the log to the vendor's transaction listing and research any discrepancies.
- Research the open balances from prior periods contained on several of the bills (e.g., dental, life, excess major medical) and resolve with the vendors in such a manner as there are no balance forwards on future invoices.
- Attach the provider invoices to the reconciliation sheets. The approver should verify that the invoices do not contain any previous balances, that current month discrepancies are identified and that there is no reconciling balance (e.g., the amount billed matches the ending amount on the reconciliation document).

### Risk Assessment Update – 2013 (This item is now closed)

*We note that the District has strengthened the processes associated with reconciling plan provider invoices by implementing the items above as suggested.*

### Recommendation – Agreed Upon Procedures March 2012

We recommended that the District communicate with the District's legal counsel and representatives from the bargaining units to determine an appropriate manner to collect the approximate \$135,000 in under-withholdings from enrollees for health insurance premiums for the calendar 2011 year.

### Risk Assessment Update – 2013 (This item is now closed)

*We understand that the District set up a memorandum of agreement (MOA) with the bargaining units to agree to withhold the monies due over a 2 year period from July 1, 2012 through June 30, 2014. Any employee separating before the payback period is completed, will be required to submit the balance due prior to leaving the District.*

### Recommendation – Agreed Upon Procedures March 2012

We recommended that the District strengthen the processes associated with the development, review, and approval of the rate sheets used as a basis for enrollee deductions for the various benefit plans to include attaching excerpts from the applicable bargaining unit contracts to the rate sheets, performing a re-calculation of each line item on the rate sheets by the Payroll Supervisor, and a final approval should be signed-off by an administrator.

### Risk Assessment Update – 2013 (This item is now closed)

*We note that the Payroll/Benefits Department set up rate sheets for all units and that there are procedures to double check the accuracy of the rates.*

## SACHEM CENTRAL SCHOOL DISTRICT Risk Assessment Update Report (Continued) Date, 2013

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### Recommendation – Agreed Upon Procedures March 2012

We recommended that the District determine a course of action (e.g., make collections, make refunds, or no action) related to errors in dental deductions from previous year(s) as 48 of the 60 selections that were tested from the two plans (self-insured and DentCare) had at least 1 error. In addition, going forward, ensure that all dental deductions made by the District and the amounts billed by the provider are accurate.

### Risk Assessment Update – 2013 (This item is now closed)

*We understand that the District has simplified the dental deductions by establishing a standard contribution of 20% from the employees. Since the dental contributions are small amounts, the District decided not to take action related to the errors noted in the agreed-upon procedures report.*

### Recommendation – Agreed Upon Procedures March 2012

We recommended that the District strengthen the process associated with making adjustments to employee benefit deduction amounts when the amounts differ from the standard withholding per the coverage and the group the enrollee is assigned to. Since the District employs 2 clerks, adjustments should be calculated by one clerk and reviewed and initialed by the second clerk.

### Risk Assessment Update – 2013 (This item is now closed)

*We note that the clerks are checking each other's calculations and will memorialize this review process by placing initials on the documents.*

### **Benefits Payments and Cost Sharing**

Control Risk Level:        Moderate

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

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

### Recommendation – Risk Assessment 2011

We recommended that the District develop a process to formalize the procedures related to the two benefits clerks double checking each other's work on a test basis and indicate the review by initialing the source documents.

### Risk Assessment Update – 2012

We understood that the 2 clerks in the benefits function checked the accuracy of each other's work; however, the second clerk needs to initial the source documentation to verify that the work was performed. We again recommended that the District establish procedures to indicate that the clerks reviewed the work by initialing the source documents.

### Risk Assessment Update – 2013 (This item is now closed)

*We note that the clerks are checking each other's calculations and will memorialize this review process by placing initials on the documents.*

SACHEM CENTRAL SCHOOL DISTRICT  
Risk Assessment Update Report (Continued)  
Date, 2013

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**PURCHASING AND RELATED EXPENDITURES**

**Purchasing System and Process**

Control Risk Level: Low

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

- The Board Policy – Purchasing #6700 was revised related to limits and thresholds, which was submitted to the District’s legal counsel for review as part of the revision process.
- There has been a significant decrease in the number of confirming purchase orders (the goods or services were ordered prior to the approval of the purchase order by the Purchasing Agent).

**Payment Process**

Control Risk Level: Low

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

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

**Credit Cards**

Control Risk Level: Moderate

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

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

**GRANTS AND SPECIAL EDUCATION**

**General Processing and Monitoring**

Control Risk Level: Moderate

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

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

**Special Education**

Control Risk Level: Moderate

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

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



## SACHEM CENTRAL SCHOOL DISTRICT Risk Assessment Update Report (Continued) Date, 2013

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### Recommendation – Agreed Upon Procedures November 2012

We recommended that the District analyze the structure of the Special Education Department (Department) to determine if having 1 administrator overseeing the financial operations of the Department would be more advantageous than the current arrangement of 2 coordinators.

### Risk Assessment Update – 2013 (This item is now closed)

*We found that the structure of the Department has been revised to include only 1 Coordinator for Student Services overseeing the operations, instead of the previous structure with 2 coordinators. There are also 2 assistant coordinators, 1 for secondary students and 1 for elementary students, which is a similar structure to prior years.*

### Recommendation – Agreed Upon Procedures November 2012

We recommended that the District strengthen the budget development and management process by supporting the non-salary account codes with more detail and consider using the Excel spreadsheet that was provided to the District. This includes continuously monitoring the budget account codes and obtaining information related to outstanding invoices prior to year end (e.g., reports from the related services providers).

### Risk Assessment Update – 2013 (This item is now closed)

*We note that there was improvement from the prior year and the District continues to further improve the budget development and management process. In addition, the District utilized the Excel spreadsheet for the year ended June 30, 2013. The goal is to identify any missing or significant variances in the budget. The budget for 2013-14 involved an assessment of each budget code that included a review of current and prior year actual amounts with a comparison to the budget numbers.*

### Recommendation – Agreed Upon Procedures November 2012

We recommended that the District establish procedures to ensure that vendor invoices are processed in a timely manner, particularly the payments to related services providers, to ensure positive relations and to avoid potential fees, penalties, or disruption to service. The procedures should also ensure that the District properly encumbers funds before entering into a commitment with an outside vendor, so approved purchase orders are obtained prior to receipt of goods or services.

### Risk Assessment Update – 2013 (This item is now closed)

*We found that the District has established procedures to obtain invoices from the vendors. We understand that the District had to repeatedly contact one provider to receive the May and June invoices by late July. We also understand that the Department plans to send out a request for proposal (RFP) for occupational therapy and physical therapy services during the 2013-14 year and select the providers for services to be rendered during 2014-15 year.*

### Recommendation – Agreed Upon Procedures November 2012

We recommended that the District establish procedures to date stamp the vendor invoices upon arrival in the District to indicate when these documents are received and to allow an independent verification of the timeliness of vendor payments. We recommend that the invoice be date stamped by the person who receives the bill and by the Accounts Payable Department staff upon receipt of the approved invoice to process payment.

## SACHEM CENTRAL SCHOOL DISTRICT Risk Assessment Update Report (Continued) Date, 2013

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### Risk Assessment Update – 2013 (This item is now closed)

*We note that the District has established procedures to date stamp the vendor invoices upon arrival. The invoices are date stamped by the person who receives the bill and by the Accounts Payable Department staff upon receipt of the approved invoice to process payment.*

### Recommendation – Agreed Upon Procedures November 2012

We recommended that the District discuss the methodology for calculating the longevity increments related to Article XI: Item 11 of the Teacher Assistants contract with legal counsel to ensure that the amounts are determined appropriately.

### Risk Assessment Update – 2013 (This item is now closed)

*We have been informed that the District obtained confirmation from its legal counsel that the longevity increments of the Teacher Assistants contract are appropriate.*

### Recommendation – Agreed Upon Procedures November 2012

We recommended that the District modify the spreadsheet used to analyze the BOCES invoices. The spreadsheet should include columns for “Initial Contract”, “Contract Adjustments”, “Adjusted Contract”, “Expenditures to Date”, “Current Month Expenditures”, “Total Expenditures”, and “Amount Remaining”. In addition, the completed spreadsheet should be reviewed and approved by a Department coordinator and the School Business Administrator and attached to the invoice as supporting documentation.

### Risk Assessment Update – 2013 (This item is now closed)

*We found that the Business Office has modified the spreadsheet and implemented procedures to have the spreadsheet reviewed and approved as recommended.*

### Recommendation – Agreed Upon Procedures November 2012

We recommended that the District develop a filing system to maintain copies of key records (e.g., automated verification listing (AVL) forms, System to Track and Account for Children (STAC) form cost computations, etc.) in the District. We also recommended that the District consider requiring the third party to prepare a package to support each STAC form and keep this information on hand to facilitate review or reconciliations performed by District employees. The package should include all documents necessary for an independent reviewer to arrive at the same totals and a lead sheet indicating the cost computation for each service provided. Each completed package should be submitted to the Department for review and formal approval by an administrator.

### Risk Assessment Update – 2013 (This item is now closed)

*We understand that the Department has developed a filing system to maintain copies of key records and required that the third party (MAG) provide packages to support each STAC form. The Department plans to assign a clerical employee the task of reviewing a sample of the STAC forms each year beginning with the 2013-14 year.*

### Recommendation – Agreed Upon Procedures November 2012

We recommended that the District establish a formal procedure in the Department to reconcile the STAC forms to the AVL forms to ensure completeness and accuracy. This should include a comparison of the BOCES’ Final

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Cost Report to the AVL form and be included as part of the AVL form review and approval process prior to submission to the State.

Risk Assessment Update – 2013 (This item is now closed)

*We note that the Department plans to assign the same clerical employee, noted in the previous item, the task of reconciling all of the STAC forms to the AVL forms and the BOCES' Final Cost Report to the AVL forms beginning with the 2013-14 year.*

Recommendation – Agreed Upon Procedures November 2012

We recommended that the District submit a revised STAC form and AVL form to the NYSED related to the understatement noted above for the student receiving services from another district.

Risk Assessment Update – 2013 (This item is now closed)

*We understand that the District has submitted the revised STAC forms and AVL forms as recommended.*

**FACILITIES AND CAPITAL PROJECTS**

**Facilities Maintenance and Operations**

Control Risk Level: Moderate

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

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

Finding(s) and Recommendation(s) – Risk Assessment 2013

*We found that the Facilities Department is using manual timesheets to account for the employees' hours. In addition, the current process for tracking employees' time requires improvement since the Facilities Department is utilizing a standard form at each building that already lists the names of each employee. Stronger controls require procedures where the employees list and sign their name in chronological order.*

4. *We recommend that the District consider installing a time management system at the buildings and require the Facilities Department staff (as well as security and transportation employees) to strengthen controls and improve operations related to recording, tracking and reporting employees' time. We suggest that the District investigate biometric technology and perform a cost/benefit analysis of this type of system. As biometric technology becomes more affordable, biometric hand-reader and fingerprint scanning solutions offer an attractive alternative to conventional time and attendance time clocks. Biometric time clock systems aid in reducing errors from processing inaccurate employee time cards plus eliminate the common and potential abuse related to the "buddy system" concern.*

Recommendation – Risk Assessment 2012

5. We recommended that the District consider performing a cost/benefit analysis related to the purchase of additional modules (e.g., Preventive Maintenance Direct, Inventory Direct, etc.) of the SchoolDude work order system to further enhance operations and reporting in the Facilities Department.

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### Risk Assessment Update – 2013

*We note that the District has purchased the Preventive Maintenance Direct and Inventory Direct modules of the SchoolDude work order system and the plan is to have these modules fully in place by January 2014.*

### **Capital Projects**

Control Risk Level: Moderate

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

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

## **CAPITAL ASSETS**

### **Acquisition and Disposal**

Control Risk Level: Low

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

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

### **Maintenance and Inventories**

Control Risk Level: Moderate

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

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

## **FOOD SERVICES**

### **Sales Cycle and System**

Control Risk Level: Moderate

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

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

### Recommendation – Agreed Upon Procedures March 2012

We recommended that the District establish procedures to have the students at the secondary schools inform the cashiers of their name (instead of the cashiers informing the students) after entering their identification numbers into the Point-of-Sale (POS) system. This would help safeguard against students putting in other students' identification numbers and using their accounts to charge lunches.

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Risk Assessment Update – August 2013 (This item is now closed)

*We understand that the District has implemented procedures to have the cashiers ask the student their name to verify that the information agrees with the identification number entered into the POS system.*

Recommendation – Agreed Upon Procedures March 2012

We recommended that the District develop a process to periodically remind staff that cash and open registers never be left unattended at any time.

Risk Assessment Update – August 2013 (This item is now closed)

*We understand that the District has implemented procedures to remind the cashiers that cash and/or open registers never be left unattended at any time. In addition, the Food Service Director meets with the staff at the beginning of each year and provides documentation, which includes this topic along with other key procedures, controls and requirements of the food services program.*

**Purchasing and Inventory**

Control Risk Level: Moderate

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

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

**Federal and State Reimbursements**

Control Risk Level: Moderate

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

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

**Free and Reduced Lunch**

Control Risk Level: Moderate

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

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

**EXTRACLASSROOM ACTIVITY FUNDS**

**General Controls and Administration**

Control Risk Level: Moderate

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

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

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### Recommendation – Risk Assessment 2011

We recommended that the District develop procedures to require each club to maintain a financial ledger and to validate that their records agree to the Central Treasurer's account activity statements at least once during the year and at the end of the year.

### Risk Assessment Update – 2012

We noted that the District planned to implement this recommendation during the 2012-13 year.

### Risk Assessment Update – 2013 (This item is now closed)

*We understand that the District assigned each building principal the responsibility of establishing procedures to distribute the central treasurers' account activity to each club to verify that the information agrees to the clubs' financial ledger. This process is required to be performed once during the school year and at the end of the school year.*

### **Cash Receipts**

Control Risk Level:        Moderate

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

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

### Recommendation – Risk Assessment 2011

We recommended that the District implement procedures to require the school stores to include the cash register tape to support the cash receipts. Any difference between the total per the tape and the actual deposit should be documented and explained.

### Risk Assessment Update – 2012

We found that the District established procedures to require the school stores to include the cash register tape with the receipts submitted to the central treasurers. We noted that the Business Office provided cash registers to any school which did not have a register including Seneca Middle School. However, we were informed that the school store at Seneca Middle School is a subsidiary account of the Student Government club and parents are handling the activities instead of students. Further review noted that the school store, which is actually a cart, is only open one day every other week during the lunch periods with minimal deposits of about \$60 to \$80. We recommended that the District establish procedures to ensure that all school stores are bona fide clubs which requires student involvement or handle the activities outside of the extraclassroom activities fund (e.g., transfer this activity to the parent-teacher association).

### Risk Assessment Update – 2013 (This item is now closed)

*We have been informed by the Central Treasurer at Seneca Middle School that the balance of the School Store account of \$3,991 was transferred to the Student Government club on January 14, 2013, and the School Store account was subsequently closed. We understand that the Parent Teacher Association at the Seneca Middle School now runs the school store and that the Principal approved these activities.*

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### Cash Disbursements

Control Risk Level: Moderate

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

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

### INFORMATION TECHNOLOGY

#### Governance

Control Risk Level: Moderate

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

- The District has updated *Board Policy 4526.1 – Internet Safety Policy* to include compliance with the E-rate requirements of the Children’s Internet Protection Act (CIPA)
- The Acceptable Use Policy was revised to update the language related to photos being released, which now states that “*the online public display of photographs, videos or other images of any identifiable individual, other than a historical or public figure, will not be made without a signed release. The attached release for all students must be signed by their parent or lawful guardian.*”
- We found that the data required for the Annual Professional Performance Review (APPR) and the information in the access database still needs to be completed. In addition, we have been informed that the District decided to discontinue the software (iObservation) that was used during the 2012-13 year for evaluation and observation data related to APPR. Therefore, the District needs to make a decision about handling these activities for the 2013-14 year. We also understand that the data related to observations that are not stored in iObservation is only in hard copy form. This data needs to be scored and entered into a system, which still needs to be determined. About 30% of the observations still need to be entered, approximately 750 observations with 30 component questions each totaling 22,500 data elements. We have been informed that the District anticipates setting up an Excel workbook then entering the information into Pentamotion where the state reporting data will reside.

#### Finding(s) and Recommendation(s) – Risk Assessment 2013

*We note that the District has an Acceptable Use Policy stating that it is incumbent upon staff and students to use technology responsibly, ethically and be respectful of the work of others. However, we found that there is no Board Policy number for this document and it is located in the Notices section of the District’s website instead of being included within the Board Policies section of the Board of Education area.*

6. *We recommend that the District consider formalizing the Acceptable Use Policy by establishing a Board Policy number or include this as part of the Board Policy 4526.1 – Internet Safety Policy. After this decision is complete, we recommend that the District update the website accordingly to include the Acceptable Use Policy.*

### Network Security

Control Risk Level: Moderate

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



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

### **Financial Application Security**

Control Risk Level: Moderate

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

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

### **Recommendation – Risk Assessment 2012**

We recommended that the District consider installing a fireproof, waterproof safe in the in the Information Technology (IT) Department or provide other adequate physical security for backup tapes and establish procedures to properly restrict access to appropriate personnel.

### **Risk Assessment Update – 2013 (This item is now closed)**

*We note that the District has placed a locked fireproof safe in the IT Department with restricted access to store the backup tapes.*

### **Disaster Recovery**

Control Risk Level: Moderate

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

- The disaster recovery set up related to the Pentamotion financial system was improved by moving the backup server from the IT Department's area to another wing of the administration building as recommended by the external auditors. Therefore, the backup server is now stored in a separate location from the regular server.

## **STUDENT RELATED DATA AND SERVICES**

### **Student Attendance Data**

Control Risk Level: Moderate

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

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

### **Student Performance Data**

Control Risk Level: Moderate

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

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

### **Student Transportation**



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Control Risk Level: Moderate

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

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

**Student Safety and Security**

Control Risk Level: Moderate

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

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

**Recommendation – Risk Assessment 2012**

We recommended that the District install external surveillance cameras at the elementary schools to improve safety and to deter potential vandalism at those locations. We were informed that the Director of Security planned to work with the IT Department on this initiative.

**Risk Assessment Update – 2013 (This item is now closed)**

*We note that the District has installed external surveillance cameras at the elementary schools to improve safety and to deter potential vandalism at those locations. We also found that the District has upgraded the surveillance cameras to digital versions at all schools and is upgrading the equipment at the high schools with axis cameras, both fixed and zoom units.*

