

Sachem Central School District

Initial Risk Assessment Report

October 22, 2010

Initial Risk Assessment Report

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

We have performed the initial risk assessment of 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, 2010.

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

Specifically, we performed the following:

- Developed an understanding of the critical business processes of the District. These critical business processes included but were not limited to:
 - Governance and planning
 - Accounting and reporting
 - Revenue and cash management
 - Payroll
 - Human resources
 - Benefits
 - Purchasing and related expenditures
 - Grants and special education
 - Facilities and capital projects
 - Capital assets
 - School lunch
 - Extraclassroom activity fund
 - Information technology
 - Student related data and services
- We identified the key risks based on our understanding of these business processes.
- We 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.

Cullen & Danowski, LLP

October 22, 2010

SACHEM CENTRAL SCHOOL DISTRICT
Introduction (Continued)
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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 first requirement (i.e., the initial risk assessment).

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

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

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

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

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

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

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

The second section of this report consists of observations of key policies, procedures and controls related to the functions we reviewed. The observations have been considered in the assessment of the level of control risk. Also included in this section are recommendations for areas of potential improvement in the District's internal controls or operations. Some of the recommendations may require a reassignment of duties and/or an addition to District personnel. However, any enhancement of controls should be done after a careful cost-benefit analysis.

Preparation of a Corrective Action Plan

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

Mr. John Cushion, (518) 474-5928

SACHEM CENTRAL SCHOOL DISTRICT

Risk Assessment Table

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

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

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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	Risk		Proposed Detailed Testing
		Inherent	Control	
Capital Assets				
Acquisition and Disposal		H	M	
Maintenance and Inventories		H	M	✓
School Lunch				
Sales Cycle and System		H	M	
Purchasing and Inventory		H	M	
Federal and State Reimbursements		H	M	
Free and Reduced Lunch		H	M	
Extraclassroom Activity Fund				
General Controls and Administration		H	M	
Cash Receipts		H	M	
Cash Disbursements		M	M	
Information Technology				
Governance		H	M	
Network Security		H	M	
Financial Application Security		H	M	
Disaster Recovery		H	M	
Student Related Data and Services				
Student Attendance Data		M	M	
Student Performance Data		M	M	
Student Transportation		H	M	
Student Safety and Security		H	M	

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GOVERNANCE AND PLANNING

Governance and Control Environment

Control Risk Level: Moderate

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

- The Board of Education has promulgated policies related to Board member training (Board Member Training Program - #2520) and conflicts of interest (Conflict of Interest - #9120.1) which helps to establish a tone at the top in terms of expectations and compliance.
- The Business Office staff provides regular financial reports to the Board, including monthly Treasurer Reports, Extraclassroom activity reports, revenue and appropriation status reports and fund balance projections. There appears to be adequate segregation of duties related to the preparation and presentation of these reports.
- The Audit Committee has been established along with a Board policy (Audit Committee - #6690) and is meeting regularly to fulfill its obligations.
- The Board has established a "School District Officer and Employee Code of Ethics" (School District Officer and Employee Code of Ethics - #2160) which establishes the requirements for an ethical environment within the District.
- The District posts all policies on its website, which promotes transparency within the District.
- The District posts the annual financial statements, management letter and corresponding corrective action plan on the website.

Findings and Recommendations:

There are non-aligned employees without a current contract. All employees have a contract, but some have expired and have not been extended. Some people who have been working under an expired contract have had Board approved increases while others have not. In addition, there is no Board policy related to benefits for non-aligned employees.

1. We recommend that the District establish procedures to ensure that there is a current, valid contract or agreement with all employees that should include the specific benefits offered to the employee.

Budget Development, Administration and Fund Balance Management

Control Risk Level: Moderate

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

- The District has developed budget policies and procedures to help ensure an open, transparent budget process. Detailed budget information is posted on the District's website for easy access by interested parties.
- Actual results are reviewed and analyzed by Business Office and administrative staff.
- There is a policy (Budget Transfers - #6150) requiring the Board to approve all budget transfers in excess of \$50,000. However, it is practice for the Board to approve all budget transfers prior to processing. While this process ensures that the Board is overseeing all of these transactions, it may not be the most efficient way for the District to manage these activities (see Findings and Recommendations below).

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- Appropriate controls are in place to ensure segregation of duties related to authorizing, approving and recording budget transfers.
- There are appropriate fund balance management procedures in place including the preparation, review and submission of fund balance projections to the Board for review on a timely basis and monitoring of fund balances and reserves by the Superintendent, Associate Superintendent for Business and the Board.
- The District has historically operated at an annual surplus and has not over-expended the voter approved budget.

Findings and Recommendations:

All budget transfers require approval of the Board. While this is an important control, there is a time delay factor associated with this. There are some transfers (salaries) in which the total dollars involved exceed the limit, but the transaction may simply be necessary due to changes in staff assignments from the time of the original salary budget.

2. We recommend the District consider modifying the policy related to budget transfers to allow certain types of budget transfers to be made based on approval of the Superintendent. This could apply to salary and/or capital project related budget transfers. The Board should be notified of the transfer on a timely basis.

ACCOUNTING AND REPORTING

Financial Accounting and Reporting

Control Risk Level: Moderate

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

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

Findings and Recommendations:

Our predecessor, as internal auditor for the District, noted that community education, child care programs and building use activities are currently being accounted for in the Special Aid accounts.

3. We concur with the recommendation that these activities be accounted for in the general fund.

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Auditing (External, Internal, and Claims)

Control Risk Level: Moderate

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

- There are policies in place related to external audits (Independent/External Auditor - #6660), internal audits (Internal Audit Function - #6680) and claims auditor (Claims Auditor - #6650).
- The Audit Committee has met regularly to review audit reports and corrective action plans.
- The District has historically prepared corrective actions plans related to the management letter received from the financial auditor and has recently prepared corrective action plans related to the internal audit reports. Therefore, the District is now in compliance with Commissioner of Education Regulation 170.12.
- The District has hired an outside accounting firm to serve as claims auditor.

Findings and Recommendations

We found that there is no authorized signature list.

4. We recommend that the District consider preparing an annual authorized signature report with sample signatures that should be used as part of the claims auditing process.

REVENUE AND CASH MANAGEMENT

Revenue Management

Control Risk Level: Moderate

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

- The District has developed detailed revenue budgets and closely monitors actual results compared to the budget.
- Property tax and state aid are monitored by the Associate Superintendent for Business, and approved by the Board.

Findings and Recommendations

None noted.

Billings, Collections and Posting of Receipts

Control Risk Level: Moderate

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

- The Business Office has adequate controls to ensure accurate billings related to health services, foster tuition and out of District tuition. Communication with operational departments and the Business Office are adequate to provide appropriate segregation of duties.

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- Accounts Receivable are monitored by a Senior Account Clerk Typist and an Account Clerk Typist, and investigated on a regular basis.
- The Business Office maintains a cash receipts log for all incoming checks and cash receipts. This log is prepared by a person who is not otherwise involved in the recording or deposit of cash receipts. This log is ultimately reconciled to receipts in Pentamation by the Treasurer.
- The District has recently begun to use Remote Deposit Captures, which allows the District to scan checks received and automatically receive credit at the bank for the deposit. This system efficiently allows timely processing and depositing of checks received while maintaining a detailed log of the checks scanned.
- The District has limited payments for Community Services to checks only, which significantly increases the efficiency of recording receipts and limits the risk of loss.

Findings and Recommendations

The Community Education area provides the Business Office with the Deposit Image Records, but no reports are generated from the database to perform a reconciliation to ensure all payments from students equals the total collections and the amount deposited in the bank. In addition, there are no procedures used at year end to reconcile the cash management activities to financial statements for the fiscal year. Consider enhancing the database to produce totals of the amount of registration fees collected and provide access to the Business Office so that it can reconcile the database records to the associated revenue.

5. We recommend that the Business Office provide view-only access to the Pentamation financial system or send a copy of the Pentamation financial system-generated revenue statements to the Community Education program director and have them sign-off to verify the accuracy, timeliness and proper account coding of each deposit. We suggest that this process be completed on a quarterly basis.

Cash and Investment Management

Control Risk Level: Moderate

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

- The District has a policy related to investments (Investments - #6240).
- There are adequate procedures to ensure all bank accounts are authorized by the Board of Education.
- There appear to be adequate controls over electronic banking and the Treasurer reviews the collateral maintained by the banks on a regular basis to ensure that the value of the collateral is sufficient to cover the District's deposits in excess of federal insurance limits.

Findings and Recommendations:

None noted.

Bank Reconciliations

Control Risk Level: Moderate

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

- Bank reconciliations are prepared for all accounts on a timely basis by a person who does not otherwise have access to the cash records.
- Reconciliations are reviewed by the treasurer and accountant.
- Unreconciled differences and discrepancies are researched until found and corrected.

Findings and Recommendations:

None noted.

PAYROLL

Payroll Accounting and Reporting

Control Risk Level: Moderate

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

- The Payroll Department reconciles contract payments from one payroll the next to ensure accuracy of the changes, and a second employee reviews the entries made by another employee.
- Payments made for hourly employees or for overtime have approval by an appropriate supervisor before entry into the payroll system.
- A payroll process checklist is prepared for each payroll to help ensure all procedures and steps are followed.
- Payroll review and certification is done by the Superintendent, the Associate Superintendent for Business and the Assistant Superintendent for Personnel.

Findings and Recommendations:

None noted.

Tax Filings and Reconciliations

Control Risk Level: Moderate

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

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

Findings and Recommendations:

None noted.

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Payroll Distribution

Control Risk Level: Moderate

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

- For each payroll, a responsible District employee (i.e., building principal, department head) reviews a listing of all employees being paid for that location or department and certifies that each person listed is a current employee.
- The Payroll Department maintains a check off list of building locations and departments to ensure that the building listing is received from all areas.
- The Payroll Department has improved the process related to the return of unclaimed payroll checks received from the building locations and the departments. Each check is entered into a log and each employee on the log is contacted to make arrangements for check pickup.

Findings and Recommendations:

None noted.

HUMAN RESOURCES

Employment Recruitment and Hiring

Control Risk Level: Moderate

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

- All changes to salaries are approved by the Board.
- The system requires all new hires to be activated by Personnel Department staff and no Payroll Department staff has permissions in the system to activate new employees.
- A successful background check is required to be obtained for all new employees.
- The new hire package contains appropriate documentation for the employee file.

Findings and Recommendations:

None noted.

Employee Administration and Separations/Terminations

Control Risk Level: Moderate

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

- Employees are required to submit a resignation letter to the Personnel Department when resigning from the District.
- All separations/terminations are approved by the Board.
- The Personnel Department formally notifies the Payroll Department of all terminations by memo.

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- Prior to the processing of final payments to retiring employees, the calculation of the payment and supporting documents are reviewed by several layers including the Superintendent, the Associate Superintendent for Business, the Assistant Superintendent for Personnel, and the Claims Auditor.

Findings and Recommendations:

We understand that there is an annual evaluation process, but we found that there are some administrators who have not evaluated their staff and some administrators who have not received an evaluation for the 2009-10 year.

6. We recommend that the District implement procedures to ensure that all employees are formally evaluated at least once per year.

Employee Attendance

Control Risk Level: Moderate

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

- A reconciliation is performed between Aesop (attendance recorded at the building level) and the entries into Pentamation for accuracy.
- A spreadsheet is maintained to track employees that are out on a leave. This spreadsheet is available to the Payroll Department and Benefits Department to help ensure accuracy of payroll and benefits.
- A financial system-generated attendance report is sent to the building locations and is reviewed and signed by the building supervisor.
- Each year, an attendance "work-up" is sent to all District employees to confirm accuracy of the employee records.

Findings and Recommendations:

None noted.

BENEFITS

Administration

Control Risk Level: Moderate

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

- The District includes all employee benefit entitlements within the collective bargaining agreements (and individual contracts for those employees that are not aligned).
- There are numerous rules and regulations applicable to the benefits area. The District has two clerks within the Payroll Department who specialize in the administration of benefits, and appear to have a thorough understanding of the benefits related issues.
- There are standard procedures to adjust employee contribution amounts at the start of the school year and when the insurance amounts change during the year (e.g., January) that includes reviews of the calculations by someone independent of administering benefits.

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Findings and Recommendations:

None noted.

Benefits Payments and Cost Sharing

Control Risk Level: Moderate

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

- Forms received from District employees requesting changes to benefits are reconciled to the entries made into the financial system each payroll cycle to ensure deduction amounts for benefits from employee paychecks are accurate.
- The enrollee listings received from benefit providers are agreed to the enrollees listed in the financial system by the clerks on a regular basis to ensure accuracy and completeness.
- The purchase orders related to benefit payments are agreed to the budget and approved by the School Business Administrator prior to processing of payment.

Findings and Recommendations:

None noted.

PURCHASING AND RELATED EXPENDITURES

Purchasing System and Process

Control Risk Level: Moderate

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

- The District has several policies related to purchasing (Purchasing - #6700, Purchasing Authority - #6710, Bidding Requirements - #6720, Cooperative Purchasing - #6730, State Contracts - #6731, Purchasing Procedures - #6740, and Use of Credit Cards - #6745) and these policies have been communicated throughout the District and are enforced by the Purchasing Department.
- The District utilized bids, BOCES bids and state contracts to comply with the purchasing policy and to procure goods and services at appropriate prices.
- The Purchasing Department has developed a purchasing calendar to help ensure different commodities and services are reviewed on a regular basis.
- The School Business Administrator works with various departments to review open encumbrances on a regular basis.

Payment Process

Control Risk Level: Moderate

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

- There is segregation of duties between the Accounts Payable Supervisor and the clerks in areas such as entering purchase orders into the system, reviewing warrants, printing checks, and sending the electronic positive pay file to the bank
- A tape is run of the invoice amounts entered into the system and the tape is agreed to the system total to ensure data entry accuracy.
- A log is utilized to ensure the check number per the system is accurate, and to ensure all checks are accounted for.
- The District utilized an electronic positive pay system with the bank to ensure that the bank only honors checks as intended by the District.
- Checks are not released and the electronic PosiPay file is not transmitted until the Claims Auditor has reviewed and approved the warrants.

Findings and Recommendations:

The system has a built-in mechanism to detect paying duplicate invoices. The system only works properly when invoices are entered into the system one at a time. We were told that invoices are sometimes grouped and then entered into the system at the District. This eliminates the valuable system control to help prevent duplicate payments.

7. We recommend the District consider entering invoices one at time to strengthen controls related to potential duplicate payments.

Credit Cards

Control Risk Level: Moderate

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

- There is a Board policy related to credit cards (Use of Credit Cards - #6745).
- Credit cards are used only for purchases of gas for District vehicles (vehicle tags and tolls are also permitted).
- Credit Card Statements are reviewed and approved by an administrator prior to processing payment.

Findings and Recommendations:

None noted.

GRANTS AND SPECIAL EDUCATION

General Processing and Monitoring

Control Risk Level: Moderate

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

- The accounting system facilitates the accounting for grant expenditures in an efficient manner.

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- Purchasing activities under grants is processed according to the District purchase policy and procedures.
- The District has assigned specific employees the responsibility of managing the consolidated and the non-consolidated grants.
- The communications between the employees managing the grants and the Business Office appear adequate and conducive for properly tracking, reporting and filing the grant activities.
- The District has procedures in place to file the grants forms in a timely manner, to fully expend the grant funds as planned and to file for any carryover funds.
- The employees responsible for grants appear familiar with restrictions on allowable and non-allowable costs.

Findings and Recommendations:

The Federal Government's Office of Management and Budget (OMB) Circular No. A-87 *Cost Principles for State, Local and Indian Tribal Governments*, states that recipients of federal awards must comply with federal payroll certification requirements. There are two separate sets of rules for employee certification, depending on whether the employee works solely on a single federal award or on multiple activities:

- When an employee is expected to work solely on a single federal award, charges for salaries need to be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. This type of employee certification should be supported by a personnel activity report (PAR) that needs to be prepared at least semiannually and needs to be signed by the employee or by a supervisory official having firsthand knowledge of the work performed by the employee.
- When an employee works on multiple activities (such as more than one federal award or a federal and a non-federal program), a distribution of their salary needs to be supported by a PAR that meets the following standards:
 - Reflects an after-the-fact distribution of the actual activity of each employee (not a budget estimate).
 - Accounts for the total activity for which each employee is compensated.
 - Prepared at least monthly and must coincide with one or more pay periods.
 - Signed by the respective employee.

We found that the District is not fully complying with OMB Circular No. A-87 when the employee works on multiple activities since these PARs are only being completed two times per year. If an employee is not working solely on a single federal award, the District should be completing a PAR at least monthly.

- 8.** We recommend that the District implement procedures to ensure that PAR forms for employees working on multiple activities are compliant with OMB Circular No. A-87.

Special Education

Control Risk Level: Moderate

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

- The District utilizes the IEPDirect web-based program to facilitate the management of the special education students. This is a powerful program to efficiently monitor student records.

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- There appear to be sufficient processes to ensure and document that the appropriate programs and services are being provided to the students as per the Individualized Education Programs (IEP).
- The Special Education Department has procedures to reconcile the student IEPs to the related service provider schedules at the beginning of the year and during the year to capture any mid-year changes to the IEP.
- The District has procedures that require providers to fully document the related services provided to the students and to have these records properly approved by a Special Education administrator.
- The Special Education Department must review and approve all related service provider invoices prior to the Accounts Payable Department processing these payments.

Findings and Recommendations:

We note that there is an employee in the Student Services Department assigned the duties of preparing and submitting the System to Track and Account for Children (STAC) and automated verification listing (AVL) forms. However, we found that there are no procedures to have these forms reviewed and approved by the appropriate Student Services administrators.

9. We recommend that the District develop written, formal procedures documenting the review and approval process by the appropriate Student Services administrators related to the STAC and AVL forms.

We found that the Student Services Department is entering and maintaining budget account transactions in an Excel spreadsheet since they do not have access to the Pentamation financial system. While this provides the department administrators with their own form of appropriation status reports, there is duplication of efforts resulting in inefficiencies.

10. We recommend that the District consider streamlining procedures by providing view-only access to appropriate accounts to the Pentamation financial system so the budget owners can monitor their codes more effectively and efficiently.

FACILITIES AND CAPITAL PROJECTS

Facilities Maintenance and Operations

Control Risk Level: Moderate

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

- The District has a five-year capital facilities plan, which is appropriately reviewed annually and updated as needed.
- The District utilizes a work order system to manage requests for repairs and assistance more effectively and efficiently.
- There appears to be proper procedures to safeguard and control the inventory of supplies, equipment and tools.
- There is proper segregation of duties related to approving invoices by having someone independent of requesting the work sign-off on these bills prior to submission to the Accounts Payable Department for processing.

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Findings and Recommendations:

None noted.

Capital Projects

Control Risk Level: Moderate

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

- The District has procedures to monitor, track and review the capital projects.
- The School Business Administrator monitors capital projects to ensure that the District does not overspend the budget for capital projects.
- The District has formal procedures and a Board policy (Procedure for Approval of Change Orders during Capital Improvement Projects - #7362) related to change orders and allowances, which require specific administrative and Board approvals based on thresholds.
- There is a formal filing system for the capital projects to ensure that all required documents are submitted to the state in a timely manner.
- There are regularly scheduled meetings (e.g., owners sessions) to discuss the progress of the capital projects.
- The District is using the financial system to properly record and track the capital projects to account for the transactions in the appropriate codes.

Findings and Recommendations:

None noted.

CAPITAL ASSETS

Acquisition and Disposal

Control Risk Level: Moderate

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

- There is a Board policy (Capital Asset Policy - #6645) that requires all disposals to be Board approved.
- There are formal procedures related to the acquisition of capital assets that includes placing sequentially numbered tags on the capital assets upon receipt by the District.
- There are procedures to track the movement of assets in the District using a standard form and to ensure that changes in assets, such as location, disposition, etc., are reflected in the inventory system.

Findings and Recommendations:

None noted.

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Maintenance and Inventories

Control Risk Level: Moderate

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

- There is a Board policy (Capital Asset Policy - #6645) and written procedures related to capital assets that include the threshold amount for classifying purchases as capital assets.
- The Board policy (Capital Asset Policy - #6645) also states that “periodic inventory testing shall occur twice per year. This shall be performed once by the internal auditors and once by the external auditors. Periodic inventory testing will include reconciling issued asset tags to the capital asset system.”
- The District is using software/system to maintain the capital asset database and to calculate the depreciation of the inventory.
- The District has assigned responsibility to the School Business Administrator to maintain the capital asset database.
- There are procedures to track the movement of assets in the District using a standard form and to ensure that changes in assets, such as location, disposition, etc., are reflected in the inventory system.
- The Business Office reconciles the capital asset database to the general ledger.
- The District has recently completed a physical inventory.

Findings and Recommendations:

None noted.

SCHOOL LUNCH

Sales Cycle and System

Control Risk Level: Moderate

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

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

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Free and Reduced Lunch

Control Risk Level: Moderate

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

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

Findings and Recommendations:

None noted.

EXTRACLASROOM ACTIVITY FUNDS

General Controls and Administration

Control Risk Level: Moderate

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

- The District has Board policies and written procedures related to extraclassroom activities (Student Organizations - #5210, Student Activities Funds Management #5252).
- As per Board policy (Student Activities Fund Management - #5252), the school principal is responsible to appoint a competent or qualified faculty advisor for each club.
- All clubs and advisors must be Board approved and the stipend amounts are defined in the contract with the teachers.
- There are procedures that require clubs to have student officers participating in all of the club activities and the standard forms include sections for appropriate sign-offs (i.e., student treasurer, club advisor and building principal).
- The bank accounts are being reconciled monthly by the central treasurers and reviewed by the District Treasurer. In addition, the District is compliant with submitting quarterly Extraclassroom Activity Fund reports to the Board.

Findings and Recommendations:

We note that the Board policies related to extraclassroom activities do not contain the following key items: all clubs need to have an annual charter and procedures for closing or inactivating clubs. In addition, Board policy Student Organizations - #5210 cross references a policy that we were unable to find (Co-Curricular and Extra-Curricular Code of Conduct for Students - #5200).

11. We recommend that the District consider updating the Board policies or developing regulations to include more requirements and greater details related to the operations of the extraclassroom activities. In addition,

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the District should update Board policy Student Organizations - #5210 to remove the cross reference to policy #5200 or create policy Co-Curricular and Extra-Curricular Code of Conduct for Students - #5200.

Cash Receipts

Control Risk Level: Moderate

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

- The clubs are instructed to use receipt forms or some other method (cash register, pre-numbered tickets) to establish accountability for all funds collected. The standard receipt form also includes a section titled Explanation of Deposit that must be completed by the clubs.
- There is a safe where the receipts should be placed if the funds are not deposited in the bank the same day. However, the advisors are depositing the funds resulting in a higher probability that receipts are not always deposited timely (see Findings and Recommendations below).
- There is an emphasis on collecting checks rather than cash to reduce the level of risk.

Cash Disbursements

Control Risk Level: Moderate

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

- The District requires more than one individual to sign the extraclassroom activity fund checks as per Board policy (Authorized Signatures - #6410).
- Authorizations to pay are approved by more than one person (i.e., student treasurer, club advisor, building principal). In addition, all payments are being reviewed by the District's Claims Auditor prior to being released.
- The central treasurers are maintaining the sequence of check numbers for their respective accounts.
- Blank checks and other financial stationery are safeguarded against theft, loss, and misuse.

Findings and Recommendations:

None noted.

INFORMATION TECHNOLOGY

Governance

Control Risk Level: Moderate

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

- There is a Board policy (Internet Safety Policy - #4526.1 and) that directs the Superintendent of Schools to procure and implement the use of technology protection measures that block or filter internet access.
- The roles and responsibilities between the Information Systems and Instructional Technologies department are clear. Each department has centralized control over activities.

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- The IT Department requires all employees and students to sign acceptable use forms prior to granting them access to the District's network and the internet.
- Policies exist related to computers and their use and all staff are required to sign that they have read the established policies. In addition, the employee acceptances are properly filed in a single location.
- The IT Department has implemented appropriate controls over staff and their activities including access to and within the District's financial and student management systems.

Findings and Recommendations:

None noted.

Network Security

Control Risk Level: Moderate

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

- The District utilizes virus protection software, which is installed on all servers and workstations and is updated as needed.
- The District has procedures in place for authorizing modifications to the firewall configuration.
- All firewall activities and events are logged.
- The District has procedures in place to document, store and review firewall logs.

Findings and Recommendations:

None noted.

Financial Application Security

Control Risk Level: Moderate

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

- The District restricts computer system access based on a person's job description.
- There are proper controls over user accounts that includes assigning the financial system administrator duties to three employees in the IT Department; requiring building administrators to request changes to user accounts; and having the Associate Superintendent for Business review and approve the monthly financial system user account change reports.

Findings and Recommendations:

None noted.

Disaster Recovery

Control Risk Level: Moderate

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

- The District has daily backup procedures to store the critical system data (i.e., financial and student management systems) at an offsite location that is a secure and climate controlled environment.
- The offsite storage is maintained for application software and related documentation.
- The District has two formal disaster recovery plans: one for the instructional network and one for the non-instructional network.

Findings and Recommendations:

None noted.

STUDENT RELATED DATA AND SERVICES

Student Attendance Data

Control Risk Level: Moderate

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

- The District has a Board policy (Student Attendance - #5100) covering student attendance.
- The District maintains a record of each pupil's presence, absence, tardiness, and early departure in a register of attendance.
- The District has established controls over the input and access to data related to student attendance.
- The District has an electronic student management system for collecting, calculating, summarizing, and reporting attendance data to the Department.

Findings and Recommendations:

None noted.

Student Performance Data

Control Risk Level: Moderate

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

- The District has assigned an individual to be responsible for the accumulation of data for dropouts, test scores, enrollment, and cohorts.
- District staff review data published on the School Report Card and other reports for accuracy and to make improvements in student performance.
- The District has established controls to ensure student performance data (i.e. BEDS, enrollment, attendance, test results, etc.) is secured, input is reliable, and output is accurate.
- The District has a computerized system with records for each student enrolled in the high school.

Findings and Recommendations:

None noted.

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Student Transportation

Control Risk Level: Moderate

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

- The District has numerous Board policies (Student Transportation - #8410, Transportation with Students with Disabilities - 8410.1, School Bus Scheduling and Routing - 8411, Transportation for Nonpublic School Students - 8413, School Bus Safety - 8414, Bus Driver Qualifications and Training - 8414.1, Idling of School Buses and Private Vehicles on School Grounds - 8414.2, Alcohol and Drug Testing of Bus Drivers - 8414.5, Student Transportation Between High Schools - 8414.6, Field Trip and Extraclassroom Activity Transportation - 8415, Special Use of School Buses - 8416, Student Transportation on Private Vehicles - 8417) covering transportation.
- The District procures contract transportation services in accordance with GML and purchasing policies.
- The District has adequate procedures to ensure timely filings of the District's transportation contracts to the Commissioner of Education for approval.
- The District maintains documentation of (District and contract) for driver qualifications and inspection of buses.

Findings and Recommendations:

None noted.

Student Safety and Security

Control Risk Level: Moderate

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

- The District has a Board policy (Student Safety - #5450) and procedures to promote a safe school environment.
- The District has adopted comprehensive District-wide school safety and building-level school safety plans on crisis intervention and emergency response, and the Emergency Management Manual is reviewed and updated annually.
- The District has a system in place to track and report information about violent and disruptive behavior. In addition, the District issues an annual school facility report card.
- The District complies with requirements for the instruction and training in fire drills and in sheltering drills.

Findings and Recommendations:

None noted.

