



Great Neck Public Schools

**Annual Risk Assessment Update
Pertaining to the Internal Controls
of District Operations**

June 2020

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES**

The Board of Education
Great Neck Public Schools

We have performed the procedures enumerated below, which were agreed to by Great Neck Public Schools (the "District"), solely to assist the District. This agreed upon procedures engagement was performed in accordance with auditing standards established by the American Institute of Certified Public Accountants and the applicable standards contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We have updated our June 2019 Risk Assessment by performing certain internal audit procedures pertaining to the time period starting July 1, 2019 through June 30, 2020. The updated Risk Assessment and related internal audit plan concentrates on the following key internal control areas:

- Governance and Planning
- Budget Development
- Accounting and Reporting
- Revenue and Cash Management
- Grants
- Payroll
- Human Resources
- Benefits
- Purchasing and Related Expenditures
- Facilities/Capital Projects
- Fixed Assets
- Food Service
- Extraclassroom Activity Fund
- Information Systems
- Student Data Management
- Pupil Personnel Services
- Transportation
- Security and Safety
- Cyber Security

We are available to discuss this report with the Board of Education or others within the District at your convenience.

Our engagement is limited in scope and will be confined to our agreed-upon procedures. We will not be conducting an audit or review of the district's financial statements and therefore we will not express an opinion or any other form of assurance on them.

At the end of our engagement, we will present the results of applying the agreed-upon procedures in the form of our findings in a report. Our report should be used only for the intent of the original users of this report, and will include a statement indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. As such, using this report for anything other than the original intent of the agreed-upon procedures could mislead the readers. You must notify us immediately if the original users of the report change.

Very truly yours,

Nawrocki Smith LLP

July 25, 2020



Great Neck Public Schools

**Annual Risk Assessment Update
Pertaining to the Internal Controls
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June 2020

Table of Contents

Independent Accountants' Report on Applying Agreed Upon Procedures

Risk Assessment Overview..... Page 2

Internal Audit Objectives Page 2

Scope and Methodology..... Page 3

Annual Risk Assessment Update

Internal Audit Risk Assessment Update Summary.....Page 4

Risk Rating and Internal Audit Plan.....Page 5

Risk Assessment Observations and Recommendations.....Page 7

Exhibits.....Page 11

Great Neck Public Schools
Annual Risk Assessment
June 2020

Risk Assessment Overview

This Risk Assessment report provides a presentation of our view of the school district's risk pertaining to its financial operations. It gives the District's administration the information necessary to help optimize its overall performance. The report identifies, expresses, and prioritizes the key program risks so that the District's administration can focus on those areas most critical to its success. This analysis is used to define the District's risk profile. It will provide an overview of the risks facing the District's operations.

In accordance with the laws of New York, 2005, Chapter 263, all school districts and BOCES were required to establish an internal audit function no later than July 1, 2006 and be in operation no later than December 31, 2006. This function should include, at a minimum, development of a risk assessment of district operations, including but not limited to:

- a review of financial policies, procedures and practices
- an annual review and update of such risk assessment
- annual testing and evaluation of one or more areas of the District's internal controls
- preparation of reports which analyze significant risk assessment findings
- recommended changes for strengthening controls and reducing identified risk; and specifying time frames for implementation of such recommendations

Pursuant to Section 170.12 – Regulations of the Commissioner of Education – School District Financial Accountability, each school district must prepare a corrective action plan, approved by the Board of Education in response to findings to final reports issued by the internal auditor. This plan should include expected dates of implementation and should be filed with the New York State Education Department.

Internal Audit Objectives

The objectives of our engagement are as follows:

- develop an understanding of the critical business processes of the District within each functional area
- identify and qualify risks based on the understanding of the business processes and stated business rules
- identify stated controls that are currently in place to address those risks and ascertain if they are operating effectively
- recommend improvements in internal controls

Great Neck Public Schools
Annual Risk Assessment
June 2020

Scope and Methodology

The Board of Education has engaged Nawrocki Smith as the District's internal auditor. In compliance with New York State Laws, we have performed an annual update to the District risk assessment with respect to policies, procedures, and internal controls pertaining to District operations. The procedures applicable to the annual update of the District's risk assessment were performed during the fiscal year ending June 2020 and were carried out in order to determine an internal audit plan for fiscal year 2020/2021 and thereafter. This risk assessment is updated annually to reflect any changes in the current control environment and the existing internal audit plan.

Our risk assessment consisted of the following methodology:

- Perform interviews of Administration and other appropriate personnel
- Document procedures within key Functional Areas
- Identify key controls and perform audit tests of those controls
- Assess effectiveness of the key controls
- Identification and review of organization structure
- Analysis of risks that are a threat to the achievement of objectives
- Create a risk profile and internal audit plan

In addition to the above procedures, we have also evaluated and considered the following within our overall risk assessment:

- District policies and procedures
- Recent focus of State Comptroller Audits
- Board of Education/Audit Committee Meetings
- Materiality to Financial Statements
- Changes in management or key personnel
- Financial reports provided to the Board
- External auditor management letters
- District corrective action plans
- Organizational chart and job descriptions

Great Neck Public Schools
Annual Risk Assessment
June 2020

Internal Audit Risk Assessment Update Summary

We have analyzed nineteen (19) Business Process areas within the District and have developed an internal audit plan based upon our assessment of each area. Each of the nineteen (19) Business Processes contains multiple categories for which an extensive cycle analysis will be performed during the proposed time period noted within the risk rating and internal audit plan. The plan as presented will be revised each year based upon the annual risk assessment update and events/requests that occur during the year which impact the priority of future internal audit services.

The results of our update risk assessment are summarized below and in the tables presented on pages 5 through 6. We have utilized a “Low,” “Moderate,” and “High” control risk rating assessment scale of the District.

Current Year Rating

<u>Rating</u>	<u>Count</u>	
High	-	0.00%
Moderate	18	20.48%
Low	65	79.52%
Total	83	100.00%

Changes from Prior Year

<u>Category (*)</u>	<u>Count</u>	
“High” to “Low”	-	0.00%
“High” to “Moderate”	-	0.00%
“Moderate” to “Low”	-	00.00%
“Low” to “Moderate”	1	100.00%
“Moderate” to “High”	-	0.00%
Total	1	100.00%

(*) Refer to pages 5 through 6 for business process rating changes.

- The June 2020 risk assessment update contains four (4) current year recommendations.
- The June 2019 risk assessment update report contained four (4) recommendations:

<u>Status of Prior Year</u>	<u>Complete</u>	<u>In-Process</u>	<u>Not Complete</u>	<u>Total</u>
# of Recommendations	-	4	-	4

Great Neck Public Schools
Annual Risk Assessment
June 2020

Risk Rating and Internal Audit Plan

√ = Internal Audit Services Provided	X = Proposed Business Cycle Review
★ = Business Cycle Review Complete	T = Limited Testing of Business Process

	Business Process	Business Process Categories	RISK				YEAR OF SERVICE		
			Inherent	Control		Prior Years	20-21	21-22	Subsequent Years
				18-19	19-20				
1	Governance and Planning	Governance and Control Environment	H	L	L				
		Required Policies and Procedures	H	M	M	√			
2	Budget Development	Budget Development	H	L	L				
		Budget Monitoring and Reporting	H	M	M	√			
3	Accounting and Reporting	Financial Accounting and Reporting	H	M	M	√			
		External/Internal/Claims Auditing	H	L	L	√			
		Fund Balance Management	H	L	L	★			
4	Revenue and Cash Management	Real Property Tax	M	L	L	★			
		State Aid	H	L	L	★			
		Out of District Tuition/Reimbursable Expenses	M	L	L	★			
		Use of Facilities	L	L	L	★			
		Donations	M	L	M	★			
		Vending Machines	H	L	L	★			
		Cash Receipts	H	L	L	★			
		Cash/Investment Management	H	L	L	★			
		Petty Cash	L	L	L	★			
		Bank Reconciliations	H	L	L	★			
Online Banking	H	L	L	★					
5	Grants	General Processing	H	M	M	★			
		Grant Application	M	L	L	★			
		Expenditures and Allowable Costs	H	L	L	★			
		Cash Management	M	M	M	★			
		Reporting and Monitoring	H	M	M	★			
6	Pavroll	Payroll Disbursements	H	L	L	★			
		Overtime Payments	H	L	L	★			
		Payroll Accounting and Reporting	H	L	L	★			
		Payroll Tax Filings	H	L	L	★			
		Payroll Reconciliation	H	L	L	★			
7	Human Resources	Employment Requisition/Hiring	H	L	L	★			
		Personnel Evaluation	H	L	L	★			
		Employee Attendance	H	L	L	★			
		Termination	H	L	L	★			
8	Benefits	Eligibility	H	L	L	★			
		Benefit Calculations	H	L	L	★			
		Patient Protection and Affordable Care Act	H	L	L	★			
		Retiree Benefits	H	L	L	★			
9	Purchasing and Related Expenditures	Purchase Order System/Vendor Database	H	M	M	★			
		Purchasing Process	H	M	M	★			
		Payment Processing	H	L	L	★			
		Employee Reimbursements	H	L	L	★			
		Credit Cards	H	L	L	★			

Great Neck Public Schools
Annual Risk Assessment
June 2020

	Business Process	Business Process Categories	RISK				YEAR OF SERVICE		
			Inherent	Control		Prior Years	20-21	21-22	Subsequent Years
				18-19	19-20				
10	Facilities/ Capital Projects	Facilities Maintenance and Work Orders	H	L	L	★			
		Capital Project Planning and Monitoring	M	L	L	★			
		Capital Project Funding and Payments	M	M	M	★			
		Recordkeeping and Reporting	H	L	L	★			
11	Fixed Assets	Inventory/ Capitalization Policy	H	L	L				
		Acquisition and Disposal	H	L	L				
		Inventory Process and Recordkeeping	H	L	L				
12	Food Service	Sales Cycle and System	H	M	M	★			
		Inventory and Purchasing	M	L	L	★			
		Free and Reduced Meals	M	L	L	★			
		Federal and State Reimbursement	M	L	L	★			
		Financial Reporting and Monitoring	M	L	L	★			
13	Extraclassroom Activity Fund	General Controls	H	M	M	√			
		Revenue	H	M	M	√			
		Expenditures	M	M	M	√			
		Reporting	H	M	M	√			
14	Information System	Governance	H	L	L	★			
		Network Security	H	L	L	★			
		Application Security	H	L	L	★			
		Physical Security	H	L	L	★			
		Inventory	H	M	M	★			
		Disaster Recovery	H	M	M	★			
15	Student Data Management	Registration and Enrollment	H	L	L				
		Student Attendance	H	L	L				
		Student Performance	H	L	L				
16	Pupil Personnel Services	Budgeting and Planning	M	L	L	★			
		STAC Reimbursement	M	M	M	★			
		Medicaid Reimbursement	M	L	L	★			
		RFP and Contracts	H	L	L	★			
17	Transportation	Fleet Inventory and Maintenance	H	L	L	★			
		Bus Routing and Planning	H	L	L	★			
		Labor and Supervision	H	L	L	★			
		Contract Management	H	L	L	★			
		State Aid	H	L	L	★			
18	Safety and Security	Plan Development and Strategy	H	L	L				
		Building Access and Security System	H	L	L				
		Compliance and Incident Reporting	H	L	L				
		Safety and Security Monitoring	H	L	L				
19	Cyber Security	General Controls	H	L	L				
		Information & Asset Security	H	L	L				
		Vulnerability Assessment	H	L	L				
		Incident Response & Recovery	H	L	L				

Great Neck Public Schools
Annual Risk Assessment
June 2020

Inherent Risk - Inherent risk is the risk of a material misstatement in the un-audited information assuming the absence of internal controls procedures.

Control Risk - Control risk is the risk that a material misstatement in the un-audited information will not be detected and corrected by the management's internal control procedures on a timely basis.

Risk Assessment Observations and Recommendations

Current Year Observations and Recommendations

Revenue & Cash Management

Out of District Tuition

1. We noted that one (1) invoice was not supported by a contract signed by all parties. We also noted that five (5) contracts were not signed by the district of residence until after the students started receiving services.
 - *We recommend that the District make every effort to obtain a signed agreement from the district of residence prior to students receiving services. This will ensure that all parties are in agreement regarding the services and payments prior to the District incurring any expenses for the student.*

Use of Facilities

2. We noted that three (3) organizations were allowed to use facilities without Board of Education approval of the application. We also noted that three (3) permits were not signed by the Director of Athletics.
 - *We recommend that all applications for use of facilities be approved by the Board of Education in accordance with Policy #1500 Public Use of District Facilities. In addition, we recommend that permits only be issued to outside organizations after being properly signed by the Director of Athletics.*
3. All applicants must submit a twenty-five dollar (\$25) application fee and a five hundred dollar (\$500) security deposit with their application. We noted two (2) instances where the appropriate fees were not paid until after use. In addition, we noted one (1) instance where an application fee was not paid and one (1) instance where a security deposit was not received.
 - *We recommend that District ensure applicants submit all required fees before the application is submitted to the Board of Education for approval. This will ensure all fees are collected before use.*
4. We noted that the District did not obtain a certificate of liability insurance for two (2) organizations using their facilities.
 - *We recommend that the District obtain a certificate of liability insurance from organizations prior to approving the organization's request to use District facilities. This will ensure that the District is properly insured when an organization uses District facilities.*

Great Neck Public Schools
Annual Risk Assessment
June 2020

Status of Prior Year Recommendations

We have performed follow-up internal audit services applicable to our previously issued risk assessment update report dated June 2018. The services we performed included observing and evaluating the implementation status of the District’s action plan in respect to our risk assessment recommendations.

The June 2019 risk assessment update report identified four (4) recommendations within one (1) distinct business process areas. The District has completed or taken action on the four (4) recommendations as follows:

<u>Business Process</u>	<u>Complete</u>	<u>In-Process</u>	<u>Not Complete</u>	<u>Total</u>
Grants	-	4		4
Total	-	4		4

Grants

- Recommendation from June 2019 Risk Assessment:** We recommend that all purchases are made prior to the check issuance. If the vendor does not accept a purchase order, the District should consider using another vendor or processing the purchase by way of an employee reimbursement. In addition, gift cards should not be purchased with grant funds as it cannot be confirmed that the items purchased are allowable as per the grant guidelines.

Status at June 2020: In Process

- Recommendation from June 2019 Risk Assessment:** We recommend that Form FS-10 include all anticipated grant expenditures and that those expenditures are allowable and comply with the grant guidelines. Grant funds should not be utilized for expenditures not included in Form FS-10 and not allowable as per grant guidelines. In addition, we recommend that payments for field trips be made the same day or after the field trip date and include documentation such as a student listing to confirm the accuracy of the invoiced amount.

Status at June 2020: In Process

- Recommendation from June 2019 Risk Assessment:** We recommend that PAR forms are completed whenever an employee is paid from a grant. As per NYSED Grants Finance, “documentation beyond regular payroll records is required for an employee who is funded by a federal grant program.” This includes a certification with the employee’s name and position, the period of employment, and the name of the federal program. PAR forms also must be completed after the work is done, signed and dated by the employee, and maintained with regular payroll records.

Status at June 2020: In Process

- Recommendation from June 2019 Risk Assessment:** We recommend that the District make every effort to fully spend the approved budget for each grant. This will reduce the risk of the NYSED not allowing all outstanding funds to be carried over into the next school year or possibly decreasing the approved grant budget in future years due to under spending.

Status at June 2020: In Process

Great Neck Public Schools
Annual Risk Assessment
June 2020

Exhibits

Exhibit I History of Internal Audit Reports Issued