



**COLD SPRING HARBOR CENTRAL
SCHOOL DISTRICT
*RISK ASSESSMENT UPDATE REPORT
FOR THE YEAR ENDING
JUNE 30, 2009***

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

TABLE OF CONTENTS

Report Introduction	Pages 1 – 2
Assessment of Risk and Testing Plan	Pages 3 – 4
Risk Assessment Update Report	Pages 5 – 26

**Cold Spring Harbor Central School District
Risk Assessment Update Report Introduction
For the Year Ending June 30, 2009**

Overview

This report serves to address the second requirement of Chapter 263 of the laws of New York, 2005, which requires all school districts to establish an internal audit function. The requirements are as follows:

1. Engagement of a qualified audit firm or individual to make an initial assessment of risk surrounding the design of the district's internal controls;
2. **Annual update of the initial risk assessment;** and
3. Testing of these controls on a periodic basis for operational effectiveness.

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

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

- **Inherent Risk** - the risk associated with the nature and type of transactions processed due to complexity, materiality and quantity of the transactions. Factors that may affect inherent risk include, but are not limited to: the nature of transactions and the history of errors in the account, the degree of judgment involved in determining the account balance and the amount of unusual or complex transactions. The assessment of inherent risk excludes the effect of any related controls.
- **Control Risk** – the risk that the internal control system is not adequately designed to prevent or detect errors or irregularities on a timely basis that could be material individually or when aggregated with misstatement in other balances or account classes. This can result from the internal control system losing its effectiveness over time and is a function of the effectiveness of the design and operation of internal control in achieving the District's objectives relevant to the preparation of the District's financial statements.

Objectives

The primary objectives of our risk assessment update were to:

- Gain an understanding of the primary business functions of the District for each major business process;
- After gaining an understanding of each significant business process, identify the risks that could inhibit the District in achieving its goals;
- Identify the internal controls that the District has in place that are designed to mitigate identified risks;
- After evaluating the effectiveness of the controls in place, make recommendations to management to strengthen existing controls and/or to create additional controls.

**Cold Spring Harbor Central School District
Risk Assessment Update Report Introduction
For the Year Ending June 30, 2009**

Report Components

The risk assessment update report that follows is comprised of the following two components:

1. Assessment of inherent and control risk of the District's primary business processes and sub-processes presented in tabular form, which details the specific processes that were reviewed. This risk assessment includes our assessment of risk as of June 30, 2008 and the updated risk assessment as of June 30, 2009.
2. Risk assessment update for the District's primary business processes and sub-processes in narrative form, which details whether Management has implemented our recommendations from our risk assessment as of June 30, 2008. This section also provides the details of the change and the reasons for the change in our assessment of inherent and control risk from the risk assessment update as of June 30, 2008 to our current risk assessment as of June 30, 2009.

Methodology of Risk Assessment Update

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

Additionally, we have reviewed the results of reports issued by our firm during the fiscal year ending June 30, 2009, including reports on personnel and payroll processes, to determine if relevant controls have been put in place based on those reports. We have also reviewed and updated the controls from reports issued in the prior fiscal year to determine if the controls are still functioning as intended.

Process Review Summary

The following represents the business processes where we have provided internal audit services during the fiscal year:

Extensive System Reviews:

- Personnel and payroll processes

**Cold Spring Harbor Central School District
Assessment of Risk and Testing Plan
For the Year Ending June 30, 2009**

<i>Legend</i>	
■	Extensive system process review proposed
✓	Extensive system process review completed
•	New processes evaluated
N/A	Process not evaluated for the year ended 6/30/08

BUSINESS PROCESSES AND SUBPROCESSES	<i>Inherent Risk</i>		<i>Control Risk</i>		<i>Audit Results and Audit Plan</i>		
	6/30/2008	6/30/2009	6/30/2008	6/30/2009	07-08	08-09	09-10
GOVERNANCE AND PLANNING							
Governance and Control Environment	H	H	L	L			
Budget Development and Administration	H	H	M	L			
ACCOUNTING AND REPORTING							
Financial Accounting and Reporting	H	H	M	L			
Auditing (external, internal and claims)	N/A	M	N/A	L		•	
Fund Balance Management	N/A	H	N/A	L		•	
REVENUE AND CASH MANAGEMENT							
Billings	N/A	M	N/A	L		•	
Collection and Posting of Receipts	H	H	H	M			
Cash and Investment Management	H	H	L	L			
GRANTS							
General Processing and Monitoring	N/A	M	N/A	L		•	
Grant Application	N/A	M	N/A	L		•	
Allowable Costs and Compliance	N/A	M	N/A	L		•	
PAYROLL							
Payroll Distribution	H	H	M	L		✓	
Payroll Accounting and Reporting	H	H	M	L		✓	
Tax Filings and Reconciliation Process	M	M	L	L		✓	
HUMAN RESOURCES							
Employment Requisition and Hiring	M	M	L	L		✓	
Employment Termination	M	M	M	L		✓	
Employee Attendance	H	H	L	L		✓	
BENEFITS							
Eligibility	M	M	L	L		✓	
Benefit Calculations	H	H	M	M		•	
PURCHASING AND RELATED EXPENDITURES							
Purchasing Process and Purchase Order System	H	H	M	M	✓		
Payment Processing	H	H	M	L	✓		
Travel and Conferences	H	H	M	M	✓		
FACILITIES AND CAPITAL PROJECTS							
Facilities Maintenance	N/A	H	N/A	L		•	
Construction Planning and Monitoring	N/A	M	N/A	L		•	
CAPITAL ASSETS							
Acquisition, Disposal, and Capitalization Policy	H	H	H	L			
Inventory Tracking	H	H	H	H			

**Cold Spring Harbor Central School District
Assessment of Risk and Testing Plan
For the Year Ending June 30, 2009**

<i>Legend</i>	
■	Extensive system process review proposed
✓	Extensive system process review completed
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N/A	Process not evaluated for the year ended 6/30/08

BUSINESS PROCESSES AND SUBPROCESSES	<i>Inherent Risk</i>		<i>Control Risk</i>		<i>Audit Results and Audit Plan</i>		
	6/30/2008	6/30/2009	6/30/2008	6/30/2009	07-08	08-09	09-10
FOOD SERVICE OPERATIONS							
Federal and State Reimbursement	N/A	M	N/A	L		•	
Sales Cycle and System	H	H	M	L			
Inventory and Purchasing	N/A	M	N/A	L		•	
Eligibility Verification	N/A	M	N/A	L		•	
EXTRACURRICULAR ACTIVITY FUND							
General Controls	H	H	M	M			■
Cash, Cash Receipts and Disbursements	H	H	M	M			■
INFORMATION TECHNOLOGY							
Governance	M	M	M	M			
Network Security	H	H	L	L			
Financial Application Security	H	H	M	L			
Disaster Recovery	N/A	H	N/A	L		•	
STUDENT RELATED DATA AND SERVICES							
Student Attendance	N/A	H	N/A	L		•	
Student Performance Data	N/A	H	N/A	L		•	
Student Transportation	N/A	M	N/A	L		•	
Student Security and Safety	N/A	H	N/A	L		•	

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

GOVERNANCE AND PLANNING

GOVERNANCE AND CONTROL ENVIRONMENT

Prior Control Risk Level: Low

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk remains at low for the District's governance and control environment based on the following reasons:

- The Board of Education receives monthly revenue and appropriation status reports for all funds, monthly trial balances for all funds, monthly cash flow projections, fund balance projections starting in February as well as quarterly extraclassroom activity fund reports. As a result, the Board is provided with the proper tools to make financial decisions in accordance with their financial responsibilities.
- The District has adopted a code of ethics policy that is in force for all District employees and Board of Education members.
- The Board of Education has received training in fiscal oversight, accountability and fiduciary responsibilities in accordance with Chapter 263 of the Laws of New York.
- An Audit Committee has been appointed in accordance with laws and regulations and a related charter has been developed and adopted by the Board of Education that is in accordance with state recommendations.
- The District's internal claims auditor provides the Board of Education with a monthly and an annual report detailing warrants reviewed, recommendations and actions taken.
- The Board of Education is in the process of updating many outdated board policies to ensure that the policies are current and in compliance with laws and regulations.
- The district maintains an up-to-date organization chart that establishes the appropriate lines of communication.

BUDGET DEVELOPMENT AND ADMINISTRATION

Prior Control Risk Level: Moderate

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk was lowered from moderate to low for the District's budget development and administration process based on the following reasons:

- The District has adopted a Budget Transfer policy which authorizes the Superintendent of Schools to make budget transfers between line item accounts, so long as the transfer for any one item does not exceed 10%. All transfers in excess of \$5,000 require prior Board of Education approval.
- The Board of Education receives a monthly report of all budget transfers made.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

- The District's budget is comprised of the required components; including the newly required property tax exemption report required by Chapter 258 of the Laws of 2008 and has presented the budget in the required three part format.
- All District budget information is posted on the District's website for easy access to the District's residents.
- The District has a budget planning policy, as well as a budget calendar that details the requirement and outlines the process within the District for the creation of the annual budget.
- The District has proper controls in place surrounding budget transfers; including proper authorizations, segregation of duties between the initiation, authorization and recording of budget transfers, as well as recording budget transfers after appropriate approvals have been obtained.

Based on our sample of budget transfers tested, we noted one (1) instance in which the budget transfer was not approved by the Superintendent. This alone, however, does not increase the level of risk above low.

ACCOUNTING AND REPORTING

FINANCIAL ACCOUNTING AND REPORTING

Prior Control Risk Level: Moderate

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk was lowered from moderate to low for the District's financial accounting and reporting and process based on the following reasons:

- The District implemented our prior year recommendation to establish a private purpose fund to account for scholarship activity.
- The District utilizes a standard journal entry form whereby the Interim Assistant Superintendent for Business can document the review and approval of journal entries.
- The District utilizes *Finance Manager* as its accounting information system which integrates the major business operations such as payroll, purchasing, account payables, budget management and general ledger maintenance.
- Trial balances, revenue status reports and appropriation status reports are reviewed by the Interim Assistant Superintendent for Business at a minimum, on a monthly basis and any unusual balances are investigate and resolved.
- All financial transactions have adequate supporting documentation and are posted on a timely basis.
- The District prepares Treasurer's Reports on a monthly basis for presentation at the Board of Education meetings.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

AUDITING

Prior Control Risk Level: N/A

Current Control Risk Level: Low

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

- The District has appointed an internal claims auditor, internal auditor and external auditor in accordance with state laws.
- Management of the District is diligent in responding to audit findings within the required time frame by filing a corrective action plan.
- The District adopted a formal Board of Education policy to outline the responsibilities of the internal auditor.
- The Board of Education accepts, by resolution, the independent auditor's report annually, which is in compliance with laws and regulations.

However, we noted that the District has not adopted policies that outline the responsibilities of the internal claims auditor and external auditor. We recommend that the District implement policies that detail these responsibilities. Based on the above factors however, this alone does not warrant the level of risk to be raised above low.

FUND BALANCE MANAGEMENT

Prior Control Risk Level: N/A

Current Control Risk Level: Low

Reason for Risk Level: We have assessed the level of control risk for the District's fund balance management process as low based on the following reasons:

- District management prepares fund balance projections to project the level of fund balance at the end of the school year.
- The District has ended the last several years with an operating surplus and has not over expended the voter approved budget.
- The District mass encumbers all known obligations at the beginning of the fiscal year, including such items as salaries and fringe benefits, debt service obligations, utilities and other service contracts as a control to properly project the fund balance at the end of the fiscal year and to maintain budgetary control.
- The District maintains legally authorized reserves.
- *Finance Manager* has controls in place whereby encumbrances cannot be recorded in excess of budgeted amounts.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

REVENUE AND CASH MANAGEMENT

BILLINGS

Prior Control Risk Level: N/A

Current Control Risk Level: Low

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

- The District has good controls in place surrounding the billings for the District's tuition and health services, which include verification of the rates utilized by administration.
- Unpaid invoices are tracked by the District and followed up on by sending notices to the other Districts after the invoices remain outstanding for a few months.

COLLECTION AND POSTING OF RECEIPTS

Prior Control Risk Level: High

Updated Control Risk Level: Moderate

Reason for Risk Level: Our assessment of control risk was lowered from high to moderate for the District's processes surrounding the collection and posting of cash receipts as a result of our internal audit report on Cash Receipts processes and based on the following reasons:

- The internal claims auditor now reconciles the bank authenticated deposit slips to the cash receipt log on a quarterly basis. Our prior risk assessment update report noted that this was in process at that time.
- The Transportation Coordinator at the business office opens the mail and records all of the cash receipts into a cash receipt log, noting the date received, the source of the cash receipt, the check number if applicable, the amount of the check and/or cash if received from the building level, and the type of cash receipt.
- Checks are immediately endorsed by the clerk typist upon receiving them from the Transportation Coordinator who maintains the cash receipts log.
- Daily deposits are made and when not possible the District has proper facilities for the safeguarding of cash receipts.

However, based on our risk assessment update, we did not determine that the level of control risk should be reduced to a low level based on the following reasons:

- The cash receipt log does not indicate the corresponding *Finance Manager* cash receipt number.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

- Adult Education fees are not forwarded to the business office until several weeks after the funds are received.
- The District does not perform periodic spot checks at all District locations collecting cash receipts to verify that miscellaneous cash receipts, such as lost text book fees, are being properly collected at the building level.

CASH AND INVESTMENT MANAGEMENT

Prior Control Risk Level: Low

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk remains at low for the District's cash and investment management processes based on the following reasons:

- The District has the required Board of Education policy in place surrounding the treatment of District investments and it is updated annually at the reorganizational meeting in July.
- Each month, the District Treasurer prepares a cash flow analysis and determines if the District has available funds to transfer to interest bearing accounts, thus maximizing the earnings potential of the District.
- The District only invests funds in permitted investments allowed by law and the District's investment policy.
- The Board of Education has authorized all district bank accounts.
- Bank reconciliations are performed by the Treasurer on a monthly basis in a timely manner and reconciling items are reviewed and investigated periodically.
- Collateral is tracked on a monthly basis by the Treasurer to verify that District funds in excess of federal insurance are properly collateralized.

GRANTS

GENERAL PROCESSING AND MONITORING

Prior Control Risk Level: N/A

Current Control Risk Level: Low

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

- The District has adequate communication between the District's program offices and the business office.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

- The District requires written contracts with the approved special education providers (ASEPs) which provides for a vendor relationship between the District and the ASEP.
- The District reviews the SEDCAR-1 reports that are prepared by the ASEPs.
- District staff attends training on how to utilize the online STAC (System to Track and Account for Children) database.
- Access to the STAC system is limited to only those who have a need to use the system.
- The District has proper procedures and controls in place regarding the requests for cash draw downs throughout the year.

GRANT APPLICATION

Prior Control Risk Level: N/A

Current Control Risk Level: Low

Reason for Risk Level: We have assessed the level of control risk for the District's grant application process as low based on the following reasons:

- The District has appropriate procedures in place to ensure that the District applies for all grant funds it is entitled to receive.
- Grant applications are approved by a responsible District official before being submitted to the grants financing unit of the State Education Department (SED).

ALLOWABLE COSTS AND COMPLIANCE

Prior Control Risk Level: N/A

Current Control Risk Level: Low

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

- The District requires that ASEPs provide the District with an expense report at year-end which is reviewed by the Director of Special Education & Pupil Services.
- The District sends its IDEA sub-allocation payments to ASEPs in the same proportion as its receipt of funds within 30 days of receipt in accordance with Chapter 6 of the laws of 2000.
- There is a proper level of review and approvals in place to verify that the expenditures for the grants are allowable and are in compliance with grant agreements.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

PAYROLL

PAYROLL DISTRIBUTION

Prior Control Risk Level: Moderate

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk was lowered from moderate to low for the District's processes surrounding the disbursement and distribution of payroll checks based on the following reasons:

- A custodian obtains the paychecks and Check Sign-in Sheets from the secretary to the Interim Assistant Superintendent for Business and distributes them to the various building locations. The custodian must sign a log when picking up the payroll checks. The secretary to the Interim Assistant Superintendent for Business distributes the payroll checks to those individuals who work in the administration offices.
- Unclaimed payroll checks are returned to the secretary to the Interim Assistant Superintendent for Business who logs in the uncollected payroll checks and then has the payroll checks taken to the post office for immediate mailing.
- The Treasurer records the first and last check and serial number into a check log that he maintains to ensure sequence is complete.
- Payroll checks are mailed home for all substitutes and any employee who asks for their check to be mailed home. However, employees asking for their checks to be mailed home are not required to be formally requested.

The District has not implemented our prior year recommendation to have all employees sign for their payroll checks. Currently only employees receiving a negotiable check are required to sign the Check Sign-in Sheet when picking up their paycheck. We understand the District implemented procedures to have employees sign for their paychecks beginning on July 1, 2009. This alone, however, does not increase the level of risk above low.

PAYROLL ACCOUNTING AND REPORTING

Prior Control Risk Level: Moderate

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk was lowered from moderate to low for the District's payroll accounting and reporting processes based on the following reasons:

- The Personnel Assistant notifies the Payroll Supervisor of all payroll changes utilizing a new salary notice, which the Payroll Supervisor verifies to the Board minutes or agendas.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

- Wednesday of the payroll week, the Payroll Supervisor submits the Payroll Detail Transaction Report to the Superintendent to review and certify.
- Changes to contractual payroll are supported with adequate documentation and/or Board of Education resolutions.

We noted that the District has not implemented procedures to perform a comparison of the vendor master file to the payroll master file to assist in monitoring potential conflict of interest and the proper classification of vendor versus employee. Based on the controls detailed above we have determined that this alone should not result in a level of risk other than low.

TAX FILINGS AND RECONCILIATION PROCESS

Prior Control Risk Level: Low

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk remains at low for the District's tax filing and reconciliation process based on the following reasons:

- The District reconciles the quarterly IRS 941 Form to the District's expenditure ledger.
- Contractual payroll is reconciled from cycle to cycle.

HUMAN RESOURCES

EMPLOYMENT REQUISITION AND HIRING

Prior Control Risk Level: Low

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk remains at low for the District's employment requisition and hiring processes based on the following reasons:

- The Board of Education approves the acceptance and employment of all new hires within the District, which is documented in the minutes of the board meetings.
- The District does not rely solely on board agendas and board meeting minutes to be notified of new hires; personnel and payroll communicate when the District hires a new employee.
- The District has procedures in place to perform background checks on all new employees and performs verifications of teacher certifications.
- The Personnel Assistant enters new employee demographic information into *Finance Manager* and activates the employee. The Payroll Supervisor enters salary information into *Finance Manager* as well as the account code that the employee is to be paid out of.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

As a compensating control, the Payroll Changes reports from *Finance Manager* are provided to the internal claims auditor on a monthly basis to review and verify the changes made by the Payroll Supervisor.

EMPLOYMENT TERMINATION

Prior Control Risk Level: Moderate

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk was lowered from moderate to low for the District's employment termination process based on the following reasons:

- In our prior report on personnel and payroll processes, we noted that the Payroll Supervisor calculated the final contractual paycheck that the employee was entitled to based on the date of termination/resignation, which was not reviewed or approved by an administrator prior to payment. However, we noted that the District implemented procedures where the Interim Assistant Superintendent for Business reviews and approves the calculation.
- In our prior report on personnel and payroll processes, we noted that although the Personnel Assistant notified the Payroll Supervisor of how many days an employee was entitled to receive payment for upon separation, the separation payments for non-instructional employees that was calculated by the Payroll Supervisor were not reviewed and approved by an appropriate administrator, Audit Committee or Board of Education, prior to payment. However, we noted that the District implemented procedures where the Interim Assistant Superintendent for Business reviews and approves the separation payment. Additionally, the calculation is reviewed by the Audit Committee.
- Separation payments for teachers and administrators are calculated by the Personnel Assistant and reviewed and approved by the Superintendent prior to payment being rendered.

EMPLOYEE ATTENDANCE

Prior Control Risk Level: Low

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk remains at low for the District's processes surrounding employee attendance based on the following reasons:

- Appropriate forms must be completed by employees and approved by the appropriate supervisor when requesting days off, which are then forwarded to the Personnel Assistant who enters the attendance information in *Finance Manager*.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

- For teachers who are absent where a substitute is used, the substitute completes a *Substitute Teacher Timesheet*, which is signed by the building principal.
- The Head Custodian in each building must email or fax attendance information to the Personnel Assistant on a daily basis.
- Monthly, the building secretaries, food service workers and custodians complete an *Absenteeism Report* indicating who was absent throughout the month and what type of days they took off (eg. sick, personal, family sick, etc.). The monthly *Absenteeism Report* is approved by the building principal and any individual sick/family sick absence forms are attached to it and then forwarded to the Personnel Assistant who enters the information into *Finance Manager*.
- If an employee exceeds their annual allotment of sick and/or vacation days, the Personnel Assistant sends an email to the Payroll Supervisor indicating the amount of days that should be docked during the next payroll cycle.
- At year-end, the Personnel Assistant conducts the roll-over procedures within *Finance Manager*, prints the *Employee Attendance Records* report from *Finance Manager* and provides it to the employees who are to review the report for accuracy.

BENEFITS

ELIGIBILITY

Prior Control Risk Level: Low

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk remains at low for the District's benefit eligibility processes based on the following reasons:

- Bargaining units and individual contracts specify which benefits employees are entitled to receive and the District has designated an account clerk to ensure compliance with employment contracts.
- Each newly hired employee is provided a *403(b) Salary Reduction Contribution Eligibility Notification* form which must be signed by the employee signifying that they are aware of the tax shelter plan.
- Administrator's fringe benefits are verified to the minutes of the Board of Education meetings and/or to the administrator's contracts.
- The District has procedures in place to periodically reconcile the health insurance invoice to the medical withholding register, with excess medical and dental being performed monthly. This procedure verifies that the District is only paying for eligible employees.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

BENEFIT CALCULATIONS

Prior Control Risk Level: Moderate

Updated Control Risk Level: Moderate

Reason for Risk Level: Our assessment of control risk remains at moderate for the District's benefit calculations process based on the following reason:

- Based on our sample tested, three (3) employees had improperly reported life insurance premium payments on their 2008 IRS W-2 Forms. The 2008 IRS W-2 Forms for those tested showed the premium payments in box 12 of their W-2 Form under code "C". This code is specifically reserved for group term life insurance coverage above \$50,000 and the amount is to be based on an IRS calculation, not the amount of the premium payments. The life insurance premiums paid by the District on behalf of the employees should be reported as "non cash life" in box 14 of the employees' W-2 Forms and included in their box 1 wages (note: the premium payments were included in the employees' box 1 wages).

While our assessment of control risk is moderate based on the above factor, we also note the following controls, while functioning effectively, did not justify a control risk lower than moderate since we considered the entire control environment in making our assessment.

- There are proper procedures and controls in place to review and verify the calculations of administrator fringe benefits, including review by an administrator.
- Non-cash payments are included in the employee's IRS W-2 Forms.
- The compliance agent for the District's deferred compensation plan determines the maximum contribution by employee.

PURCHASING AND RELATED EXPENDITURES
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PURCHASING PROCESS AND PURCHASE ORDER SYSTEM

Prior Control Risk Level: Moderate

Updated Control Risk Level: Moderate

Reason for Risk Level: Our assessment of control risk remains at moderate for the District's purchasing process and purchase order system based on the following reason:

- The Interim Assistant Superintendent for Business is also the District's purchasing agent.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

While our assessment of control risk is moderate based on the above factors, we also note the following controls, while functioning effectively, did not justify a control risk lower than moderate since we considered the entire control environment in making our assessment.

- The District has written policies and procedures surrounding the rules and regulations for the District's purchasing activities and includes such items as bidding and quote requirements in accordance with general municipal law.
- The District procures goods and/or services from time to time utilizing other governmental agencies contracts and BOCES cooperative bids to help reduce the costs of bidding.
- The District utilizes Requisition Manager, a module of *Finance Manager*, which facilitates the electronic submission and approval of purchase requisitions and prevents requisitions that exceed the available balance in the related budget code.
- The District has implemented the use of a *Request for Addition of New/Change to Existing Vendor in Finance Manager* form for vendor maintenance which is to be approved by the Interim Assistant Superintendent for Business.

PAYMENT PROCESSING

Prior Control Risk Level: Moderate

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk was lowered from moderate to low for the District's payment processing procedures based on the following reasons:

- The District has implemented our prior year recommendation to ensure that all invoices are stamped "APPROVED AND PAID" after approval by the internal claims auditor to prevent unintentional duplicate payments.
- The District has authorized more than one individual to sign District checks, which are the Treasurer, Board of Education President and the Board of Education Vice President.
- Before payment is processed, all invoices are compared to the related purchase order and receiving documents to verify accuracy.
- The District has incorporated the practice of paying only on original invoices to prevent potential duplicate payments.
- Although there is a job description for the internal claims auditor, the District does not have an internal claims auditor policy outlining the responsibilities of the internal claims auditor.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

TRAVEL AND CONFERENCES

Prior Control Risk Level: Moderate

Updated Control Risk Level: Moderate

Reason for Risk Level: Our assessment of control risk remains at moderate for the District's travel and conference process based on the following reasons:

- While we noted that the Interim Assistant Superintendent for Business distributed a memo to all staff members requiring the submission of proof of attendance at conferences, the District has not updated the *Reimbursement for Employee and Board of Education Expenses for Conferences* policy to include a requirement for the submittal of proof of attendance.
- Based on our sample, only the Conference Expense Voucher is stamped "AUDITED AND PAID" by the claims auditor rather than the invoices and/or receipts.

While our assessment of control risk remains at moderate based on the above factors, we also noted the following controls, while functioning effectively, did not justify a control risk lower than moderate since we considered the entire control environment in making our assessment.

- District administration periodically reinforces the requirements of the travel and conference reimbursement policy within the District.
- Employees must complete and submit a conference request form that is approved before an employee can attend a conference.

FACILITIES AND CAPITAL PROJECTS
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FACILITIES MAINTENANCE

Prior Control Risk Level: N/A

Current Control Risk Level: Low

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

- The District has an annual assessment performed by a New York State authorized organization of their facilities, and the District's architect performs an assessment every 3-5 years.
- A long-range plan for the District's educational facilities is in place based on a capital needs assessment that was performed, which prioritized the critical and non-critical areas of the District's facilities.
- The District has a long-range plan in place regarding significant equipment replacements.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

- The District has a regularly scheduled maintenance plan that requires daily maintenance on major building systems, including such items as the District's HVAC systems.

We noted that the District does not have a Plant Facilities Administrator policy that includes procedures for preventative and routine maintenance activities. In addition, we noted that the District has not performed a cost and energy conservation study to help reduce energy costs and to determine the District's eligibility for energy performance contracts. We understand that the District has recently obtained requests for proposals to conduct the study.

CONSTRUCTION PLANNING AND MONITORING

Prior Control Risk Level: N/A

Current Control Risk Level: Low

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

- Procedures are in place whereby the Director of Buildings and Grounds makes recommendations regarding building improvements, renovations and alterations.
- A coordination of capital projects is performed by the Director of Buildings and Grounds to reduce and keep to a minimum the impact on the education of the student's instruction and health and safety.
- The District's capital project budgetary controls and coding system include the project's related SED number.
- There are proper controls in place surrounding the monitoring of budgets for the District's capital projects, which include setting up and monitoring budgets by project in *Finance Manager*.
- Final project cost reports are reviewed by the Interim Assistant Superintendent for Business prior to submission to the New York State Education Department.

CAPITAL ASSETS

ACQUISITION, DISPOSAL AND CAPITALIZATION POLICY

Prior Control Risk Level: High

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk was lowered from high to low for the District's acquisition, disposal and capitalization policy process based on the following reasons:

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

- We noted that the District implemented our prior year recommendation to revise the capital asset policy to include a provision that an outside valuation of the District's capital assets be performed every two to three years.
- The District has a capitalization of district assets policy in place that details capitalization thresholds, information required to record the asset and depreciation requirements.
- A disposal policy is in place at the District that details the procedures to be followed when disposing of District property and equipment.
- The Board of Education must approve all disposals of capital assets.

INVENTORY TRACKING

Prior Control Risk Level: High

Updated Control Risk Level: High

Reason for Risk Level: Our assessment of control risk remains at high for the District's processes surrounding the inventory and tracking of the District's capital assets based on the following reasons:

- The District does not have procedures to track the movement of capital assets between District locations. Current practice is to move the capital asset to the new location without notifying the business office.
- Periodic inspections are not being performed by the District to determine that all assets are present, in usable condition, located in the assigned area and accurately recorded on the capital asset inventory.
- Capital assets are not properly tagged when received to facilitate the tracking of inventory during the school year. Currently, the District tags the capital assets at the end of the school year.
- The Information Technology Department does not maintain an up to date inventory of all technology related capital assets.

FOOD SERVICE OPERATIONS

FEDERAL AND STATE REIMBURSEMENT

Prior Control Risk Level: N/A

Current Control Risk Level: Low

Reason for Risk Level: We have assessed the level of control risk as low for the District's food service federal and state reimbursement processes based on the following reasons:

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

- The District utilizes a comprehensive Point of Sale (POS) system within the school lunch operation that calculates the monthly reimbursement based on the number of free and reduced meals served.
- Federal and State reimbursements are performed through the child nutrition website, which alerts the District if the number of meals is inconsistent, thus allowing for timing corrections.
- Controls within the POS system are strong, with students in the junior and senior high schools required to input a PIN code that drives their meal status (free, reduced or paid). In the elementary schools, the student's photograph determines their meal status. By having strong controls within the POS system, the accuracy of the federal and state reimbursement requests are greatly enhanced.

SALES CYCLE AND SYSTEM

Prior Control Risk Level: Moderate

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk was lowered from moderate to low for the District's food service sales cycle processes based on the following reasons:

- The District has implemented our prior year recommendation in which surprise cash counts are performed by the School Lunch Director periodically at each building.
- Total cash collected per the POS is unknown to the cashiers and all cash registers are double counted by the lead cook at each building, who is responsible for preparing the deposit slip.
- The District's food service operation is properly charging and collecting sales tax on adult meal charges.
- The minimum price charged for adult meals is greater than the price value of the reimbursement for a free meal to an eligible child.

However, the District has not established a meal charge policy that outlines the limits for charged meals.

INVENTORY AND PURCHASING

Prior Control Risk Level: N/A

Current Control Risk Level: Low

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

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

- Historical trends of purchases are utilized as a basis for determining bids required to be performed each fiscal year in accordance with the District's purchasing policy.
- The food service operations of the District include a requirement to perform a monthly inventory of all food and non-food items by the School Lunch Manager.
- Government commodity inventory received by the District each month is stored separately as required under federal guidelines.
- Based on the results of the monthly inventory and the needs of the food service operation, the District is able to properly plan and purchase the required level of stock to maintain the food service operation of the District.

ELIGIBILITY VERIFICATION

Prior Control Risk Level: N/A

Current Control Risk Level: Low

Reason for Risk Level: We have assessed the level of control risk for the District's food service eligibility verification process as low based on the following reasons:

- Following federal guidelines, the District performs the required annual income verification review of 3% of the free and reduced meal applications that were submitted.
- The District properly places students on the free and reduced program after receiving direct certification from government agencies.
- The District makes available free and reduced meal applications by sending them home to the student's parents and making them available in the main offices and on the District's website.
- Free and reduce meal applications are re-assessed on an annual basis.

EXTRA CLASSROOM ACTIVITY FUND

GENERAL CONTROLS

Prior Control Risk Level: Moderate

Updated Control Risk Level: Moderate

Reason for Risk Level: Our assessment of control risk remains at moderate for the District's extra classroom activities fund general controls based on the following reason:

- The District has not implemented our prior year recommendations to have a Board policy approving extraclassroom activity charters. In addition, the Board does not formally approve the extraclassroom activity clubs in the Board minutes.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

While our assessment of control risk remains at moderate based on the above factor, we also noted the following controls, while functioning effectively, did not justify a control risk lower than moderate since we considered the entire control environment in making our assessment.

- The Board has adopted a Student Activities Funds Management Policy that includes the rules and regulations set forth by the Commissioner of Education and Finance Pamphlet No. 2, *The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds*.

CASH, CASH RECEIPTS AND DISBURSEMENTS

Prior Control Risk Level: Moderate

Updated Control Risk Level: Moderate

Reason for Risk Level: Our assessment of control risk remains at moderate for the District's extra classroom activities fund cash, cash receipts and disbursements based on the following reason:

- Based on our sample tested for the Cold Spring Harbor High School, invoices are not stamped "PAID" to properly cancel invoices and/or receipts after payment. In addition, supporting documentation, such as photocopies of checks, is not being maintained for cash receipts.

While our assessment of control risk remains at moderate based on the above factor, we also noted the following controls, while functioning effectively, did not justify a control risk lower than moderate since we considered the entire control environment in making our assessment.

- Bank reconciliations are performed on a monthly basis in a timely manner
- The District's Payment Order and Deposit Form utilized for the extraclassroom activity fund within the Cold Spring Harbor High School facilitates the signature of the student activity treasurer.

INFORMATION TECHNOLOGY

GOVERNANCE

Prior Control Risk Level: Moderate

Updated Control Risk Level: Moderate

Reason for Risk Level: Our assessment of control risk remains at moderate for the District's information technology governance processes based on the following reasons:

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

- Although the District has procedures in place relating to computer controls such as segregation of duties; report generation and approval; passwords and permissions; data input and data backups, we noted that the District does not have a computer control policy as required by education law.
- Although the District has procedures surrounding Information Security Breach and Notification, there is no formal Board of Education Policy as required by State Technology Law §208.

NETWORK SECURITY

Prior Control Risk Level: Low

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk remains at low for the District's network security procedures based on the following reasons:

- Strong passwords, which are combinations of characters such as upper and lower case letters, numbers and/or symbols are utilized for passwords to the District's network and are required to be changed periodically.
- The District has procedures in place to lock out users after a certain number of failed logon attempts.
- The network's anti-viruses signatures, filters, and firewalls are updated periodically to prevent viruses and unauthorized logins.
- The Network Operation Center (NOC) is restricted to only authorize personnel and is temperature controlled.
- Although the VPN access logs are being reviewed on a monthly basis for unusual activities by the Director of Technology, the review is not formally documented.

FINANCIAL APPLICATION SECURITY

Prior Control Risk Level: Moderate

Updated Control Risk Level: Low

Reason for Risk Level: Our assessment of control risk was lowered from moderate to low for the District's financial application security process based on the following reasons:

- The District has designated the Director of Technology as the system administrator for *Finance Manager*.
- The District has implemented the use of a *Request for Finance Manager Access* form for granting user permissions and changes to existing user permissions, which is to be approved by the Interim Assistant Superintendent for Business.
- We noted that the District has implemented our prior year recommendation to periodically review the permission reports in *Finance Manager* to ensure proper

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

segregation of duties and to verify employees' access is consistent with their related job responsibilities and duties.

- The District requires strong passwords to access *Finance Manager*, which are required to be changed every 90 days.

However, we noted that the District has not implemented our prior year recommendation to periodically review audit trails for less restricted users in *Finance Manager*. The review of the audit trails should be performed by the system administrator as this individual is independent of the business office.

DISASTER RECOVERY

Prior Control Risk Level: N/A

Current Control Risk Level: Low

Reason for Risk Level: We have assessed the level of control risk for the District's disaster recovery process as low based on the following reason:

- The District has developed and implemented a Disaster Recovery Plan that addresses backup and recovery procedures.

STUDENT RELATED DATA AND SERVICES
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STUDENT ATTENDANCE

Prior Control Risk Level: N/A

Current Control Risk Level: Low

Reason for Risk Level: We have assessed the level of control risk for the District's student attendance process as low based on the following reasons:

- The District has a comprehensive attendance policy in place (Policy 5100).
- Proper procedures are in place for student attendance taking, which is period-by-period at the secondary schools and by the classroom teachers at the elementary level.
- The District maintains a record of each pupil's presence, absence, tardiness, and early departure in a register of attendance.
- District codes are in place to properly identify the reason for absence, tardiness, or early departure.
- The District's attendance policy distinguishes between excused and non-excused absences, tardiness and early departures.
- An electronic system (ESchoolData) is in place at the District to collect, calculate, summarize and report attendance data.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

- The District's student attendance reports are checked by more than one employee to verify accuracy and are filed on time.

STUDENT PERFORMANCE DATA

Prior Control Risk Level: N/A

Current Control Risk Level: Low

Reason for Risk Level: We have assessed the level of control risk for the District's student performance data process as low based on the following reasons:

- The District has assigned an individual responsible for the accumulation of data surrounding student dropouts, test scores, enrollment and cohorts.
- The District utilizes the procedures and definitions outlined in the New York State Information Repository System (SIRS) Manual for reporting information surrounding student performance data.
- Proper procedures are in place for the comparison and review of the student data for reasonableness prior to submission.
- The District utilizes the School Report Card as a tool to improve student performance.

STUDENT TRANSPORTATION

Prior Control Risk Level: N/A

Current Control Risk Level: Low

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

- The District has procedures in place to review the abstracts of the background checks that were performed by the Transportation Company on all bus drivers to determine that all drivers meet the qualified driver definition under Education Law 3624 and Commissioner's Regulation 156.3.
- The District has designated the Interim Assistant Superintendent for Business as the school transportation coordinator responsible for the administration of the District's transportation program for all students.
- The Board of Education has adopted a Transportation Policy that outlines the District's student transportation procedures.
- An annual review of student transportation is performed to determine procedural and operational improvements.

**Cold Spring Harbor Central School District
Risk Assessment Update Report
For the Year Ending June 30, 2009**

STUDENT SECURITY AND SAFETY

Prior Control Risk Level: N/A

Current Control Risk Level: Low

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

- The District has adopted a comprehensive district-wide school safety and building level safety plan on crisis intervention and emergency response and management.
- The student handbook outlines District's rules and consequences which is provided to students each September.
- The District performs fire drills in accordance with Education Law 807 and 3623 and evacuation drills are performed in accordance with Commissioner's Regulation 155.17.
- The District performs lockdown and lockout drills as part of the comprehensive safety plan.
- The District has a comprehensive public school safety program that includes building conditions surveys, annual visual inspection, annual fire inspection and a five year capital facilities plan.