

**Jericho Union Free School District**

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

**June 2017**

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

The Board of Education  
Jericho Union Free School District

We have performed the procedures enumerated below, which were agreed to by the Jericho Union Free School District (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 2016 Risk Assessment by performing certain internal audit procedures pertaining to the time period starting July 1, 2016 through June 30, 2017. 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
- Safety and 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*  
September 13, 2017

**Jericho Union Free School District**

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Pertaining to the Internal Controls  
of District Operations**

**June 2017**

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**Jericho Union Free School District**  
**Annual Risk Assessment**  
**June 2017**

**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

**Jericho Union Free School District**  
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**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's 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 2017 and were carried out in order to determine an internal audit plan for fiscal year 2017/2018 and thereafter. This risk assessment will be 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

**Jericho Union Free School District**  
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**Internal Audit Risk Assessment Update Summary**

We have analyzed eighteen (18) Business Process areas within the District and have developed a three-year internal audit plan based upon our assessment of each area. Each of the eighteen (18) 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 initial 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**

<b><u>Rating</u></b>	<b><u>Count</u></b>	
High	-	0.0%
Moderate	2	2.5%
Low	77	97.5%
<b>Total</b>	<b>79</b>	<b>100.0%</b>

**Changes from Prior Year**

<b><u>Category (*)</u></b>	<b><u>Count</u></b>	
“High” to “Low”	-	0.00%
“High” to “Moderate”	-	0.00%
“Moderate” to “Low”	-	0.00%
“Low” to “Moderate”	-	0.00%
“Moderate” to “High”	-	0.00%
<b>Total</b>	<b>-</b>	<b>00.0%</b>

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

- The June 2017 risk assessment update contains no recommendations.
- The June 2016 risk assessment update report contained no recommendations.

We have summarized below our work plan for 2017-2018:

**Cycle Review:**

- Facilities/Capital Projects

**Other 2017/2018 Planned Internal Audit Services**

- Key Control/Other Testing (See “T” categories on Pages 5-6)
- External Audit Corrective Action Plan Monitoring
- Quarterly Internal Audit Status Reports
- Annual Risk Assessment Update as of June 2018
- Other Internal Audit Services as the Request of the District/BOE

**Jericho Union Free School District**  
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**June 2017**

**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	17-18	18-19	Subsequent Years
				15-16	16-17				
<u>1</u>	<b><u>Governance and Planning</u></b>	Governance and Control Environment	H	L	L				X
		Required Policies and Procedures	H	L	L	√			X
<u>2</u>	<b><u>Budget Development</u></b>	Budget Development	H	L	L	√			X
		Budget Monitoring and Reporting	M	L	L				X
<u>3</u>	<b><u>Accounting and Reporting</u></b>	Financial Accounting and Reporting	H	L	L	★	T		
		External/Internal/Claims Auditing	H	L	L	★			
		Fund Balance Management	H	L	L	★			
<u>4</u>	<b><u>Revenue and Cash Management</u></b>	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	L	★			
		Vending Machines	H	L	L	★			
		Cash Receipts	H	L	L	★	T		
		Cash/Investment Management	H	L	L	★			
		Petty Cash	L	L	L	★			
Bank Reconciliations	H	L	L	★	T				
Online Banking	H	L	L	★					
<u>5</u>	<b><u>Grants</u></b>	General Processing	H	L	L	★			
		Grant Application	M	L	L	★			
		Expenditures and Allowable Costs	H	L	L	★			
		Cash Management	M	L	L	★			
		Reporting and Monitoring	H	L	L	★			
<u>6</u>	<b><u>Pavroll</u></b>	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	★			
<u>7</u>	<b><u>Human Resources</u></b>	Employment Requisition/Hiring	H	L	L	★			
		Personnel Evaluation	H	L	L	★			
		Employee Attendance	H	L	L	★	T		
		Termination	H	L	L	★			
<u>8</u>	<b><u>Benefits</u></b>	Eligibility	H	L	L	★			
		Benefit Calculations	H	L	L	★			
		Patient Protection and Affordable Care Act	H	L	L				
		Retiree Benefits	H	L	L	★			
<u>9</u>	<b><u>Purchasing and Related Expenditures</u></b>	Purchase Order System/Vendor Database	H	L	L	★			
		Purchasing Process	H	L	L	★			
		Payment Processing	H	L	L	★			
		Employee Reimbursements	H	L	L	★			
		Credit Cards	H	L	L	★			

**Jericho Union Free School District**  
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**Risk Rating and Internal Audit Plan**

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

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**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:***

*It should be noted there were no observations or recommendations within the Grants Cycle or key control areas such as bank reconciliations, budget transfers, cash disbursements, extraclassroom activities, or journal entries which were also reviewed during the 2016-2017 school year.*

**Jericho Union Free School District**  
**Internal Audit - Nawrocki Smith**  
**History of Internal Audit Reports Issued**  
**July 2006 through June 2017**

<u>Report Type</u>	<u>06/07</u>	<u>07/08</u>	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>	<u>11/12</u>	<u>12/13</u>	<u>13/14</u>	<u>14/15</u>	<u>15/16</u>	<u>16/17</u>
<b><u>Cycles:</u></b>											
Accounting & Reporting	-	-	-	-	-	✓	-	-	-	-	-
Revenue and Cash Management	-	-	-	-	✓	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	✓
Payroll & Personnel	✓	-	-	-	-	-	-	-	-	-	-
Benefits	-	-	-	✓	-	-	-	-	-	-	-
Purchasing & Related Expenditures	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	✓	-	-	-	-	-	-	-	-
Food Service	-	✓	-	-	-	-	-	-	-	✓	-
Extraclassroom Activity Fund	-	✓	-	-	-	-	-	-	-	-	-
Information Systems	-	-	✓	-	-	-	✓	-	-	-	-
Pupil Personnel Services	-	-	-	-	✓	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	✓	-	-	-
Safety & Security	-	-	-	-	-	-	-	-	✓	-	-
<b><u>Key Control Testing:</u></b>											
Budget Transfers	-	✓	✓	✓	-	-	✓	-	✓	✓	✓
Journal Entries	-	✓	✓	✓	✓	-	✓	-	✓	✓	✓
Collection and Posting of Cash Receipts	-	✓	✓	✓	-	-	✓	-	-	-	-
Bank Reconciliations and Treasurer's Reports	✓	✓	✓	✓	-	-	✓	✓	✓	✓	✓
Payroll Disbursements	-	-	-	✓	✓	✓	✓	-	✓	✓	-
Employee Attendance	-	-	-	✓	✓	✓	-	-	-	-	-
Benefit Calculations	-	-	-	-	-	-	✓	-	✓	-	-
Cash Disbursements	-	-	✓	✓	✓	-	-	✓	-	✓	✓
Fixed Assets Inventory	-	-	-	-	-	-	✓	-	-	-	-
Extraclassroom Activity Fund	-	-	-	-	✓	-	-	✓	-	✓	✓
STAC and Medicaid Reimbursements	-	-	-	-	-	-	✓	-	-	-	-
Retiree Insurance	-	-	-	-	-	-	-	-	✓	-	-
Vending Machines	-	-	-	-	-	-	-	✓	-	-	-
<b><u>Other Internal Audit Services:</u></b>											
Observation of the Fuel Storage and Use Process	-	-	✓	-	-	-	-	-	-	-	-
Payroll Payout Audit	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Corrective Action Plan Monitoring	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk Assessment Update	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

**Jericho Union Free School District**

**Nawrocki Smith - Internal Audit**

**2017/2018 INTERNAL AUDIT PLAN**

**Cycle Review**

- **Facilities/Capital Projects**

**Status**

**Planned for Oct-17**

**Key Control Testing**

- **Bank Reconciliations**
- **Cash Receipts**
- **Employee Attendance**
- **Cash Disbursements**
- **Journal Entries**
- **Budget Transfers**

**Status**

**Planned for Feb-18**  
**Planned for Mar-18**  
**Planned for Apr-18**  
**Planned for Apr-18**  
**Planned for May-18**  
**Planned for May-18**

**Additional Internal Audit Services**

- **Issue Quarterly Status Reports**
- **Annual Risk Assessment Update as of June 2018**
- **Payroll Payout Audit**
- **Other Internal Audit Services at the Request of the District**

**Status**

**Quarterly**  
**Planned for Jun-18**  
**TBD**  
**As Requested**