



Syosset Central School District

**Initial Risk Assessment
Pertaining to the Internal Controls
of District Operations**

December 2021

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

The Board of Education
Syosset Central School District

We have performed the procedures enumerated below, which were agreed to by the Syosset Central School District (the "District"), solely to assist the District. This agreed upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. 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 prepared our December 2021 Initial Risk Assessment by performing certain internal audit procedures pertaining to the time period starting January 1, 2021 through December 31, 2021. The Initial Risk Assessment and related internal audit plan concentrates on the following key internal control areas:

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

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 accountants' 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
January 28, 2022



Syosset Central School District

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December 2021

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RISK ASSESSMENT OVERVIEW

This Initial 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.

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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 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 period January 1, 2021 through December 31, 2021 and were carried out in order to determine an internal audit plan for the fiscal year 2021/2022 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 the 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.

INTERNAL AUDIT COVID PANDEMIC CONSIDERATIONS

As Districts are challenged in carrying out certain internal control procedures during the COVID pandemic, our risk assessment included the following environmental considerations:

- Has Management's risk tolerance increased allowing for a lower level of control effectiveness?
- Have staff changes (reorganization, furloughs, and terminations) impacted controls, processes, performance, and increased opportunities for potential fraud?
- Have segregation of duty conflicts been managed with changes in people and processes?
- Has Management assessed the impact on key processes and controls including technology?
- Have there been any material changes in internal controls over financial reporting that will require disclosure in the previous and upcoming audit report?

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INTERNAL AUDIT INITIAL RISK ASSESSMENT SUMMARY

We have analyzed twenty-one (21) Business Process areas within the District and have developed an internal audit plan based upon our assessment of each area. Each of the twenty-one (21) 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 7. We have utilized a “Low,” “Moderate,” and “High” control risk rating assessment scale of the organization.

Current Year Ratings

<u>Rating</u>	<u>Count</u>
High	- 0.00%
Moderate	3 3.26%
Low	89 96.74%
Total	92 100.00%

Our December 2021 initial risk assessment contains three (3) recommendations, as follows:

<u>Business Process</u>	<u>Ratings</u>				<u>Recommendation(s)</u>
	<u>Low</u>	<u>Moderate</u>	<u>High</u>	<u>Total</u>	
Revenue and Cash Management	-	1	-	1	1
Payroll	1	-	-	1	1
Information System	-	1	-	1	1
Total	1	2	-	3	3

We have summarized below our work plan for the 2021/2022 fiscal year:

Cycle Review:

- Cybersecurity

Other 2021/2022 Planned Internal Audit Services:

- | | |
|---|--|
| • Key Control/Other Testing (See “T” categories on Pages 5-7) | • Quarterly Internal Audit Status Reports |
| • External Audit Corrective Action Plan Monitoring | • Annual Risk Assessment Update as of December 2022 |
| • Payroll Payout Observation | • Other Internal Audit Services at the Request of the District/BOE |

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Risk Rating and Internal Audit Plan

√ = Internal Audit Services Provided	X = Proposed Business Cycle Review
★ = Business Cycle Review Complete	T = Proposed Key Control Testing

	Business Process	Business Process Categories	RISK		YEAR OF SERVICE	
			Inherent	Control	21-22	Subsequent
					20-21	
1	Governance and Planning	1 Governance Environment	H	L		X
		2 Control Environment / Policies & Proc.	H	L		X
2	Budget Management	3 Budget Development	H	L		X
		4 Budget Monitoring & Reporting	H	L		X
3	Accounting & Reporting	5 Financial Accounting and Reporting	H	L		X
		6 External/Internal/Claims Auditing	H	L		X
		7 Fund Balance Management	H	L		X
4	Revenue and Cash Management	8 Real Property Tax	M	L		X
		9 State Aid	H	L		X
		10 Out of District Tuition/Reimb. Exp.	M	L		X
		11 Use of Facilities	L	L		X
		12 Donations	M	L		X
		13 Vending Machines	H	L		X
		14 Cash Receipts	H	L		X
		15 Cash & Investment Management	H	L		X
		16 Petty Cash	L	L		X
		17 Bank Reconciliations	H	M		X
		18 Online Banking	H	L		X
		19 Accounts Receivable	H	L		X
5	Grants	20 General Processing	H	L		X
		21 Grant Application	M	L		X
		22 Allowable Costs & Expenditures	H	L	T	X
		23 Monitoring	M	L		X
		24 Reporting	H	L		X
6	Payroll	25 Payroll Disbursements	H	L		X
		26 Overtime Reporting	H	L		X
		27 Payroll Accounting & Reporting	H	L		X
		28 Payroll Tax Filings	H	L		X
		29 Payroll Reconciliation	H	L		X
7	Human Resources	30 Employment Requisition/Hiring	H	L		X
		31 Personnel Evaluation	H	L		X
		32 Termination	H	L		X
		33 Employee Attendance	H	L		X

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Risk Rating and Internal Audit Plan (Continued)

√ = Internal Audit Services Provided	X = Proposed Business Cycle Review
★ = Business Cycle Review Complete	T = Proposed Key Control Testing

	Business Process	Business Process Categories	RISK		YEAR OF SERVICE	
			Inherent	Control	21-22	Subsequent
					20-21	
8	Benefits	34 Eligibility	H	L		X
		35 Benefit Calculations	H	L		X
		36 Patient Protection & Affordable Care Act	H	L		X
		37 Retiree Benefits	H	L		X
		38 ERS/TRS	H	L		X
9	Purchasing and Related Expenditures	39 PO System & Vendor Database	H	L		X
		40 Purchasing Process	H	L		X
		41 Payment Processing	H	L		X
		42 Employee Reimbursements	H	L		X
		43 Credit Cards	H	L		X
10	Facilities Maintenance	44 Facilities Maintenance/Work Orders	H	L		X
		45 Staff Supervision	M	L		X
		46 Preventive Maintenance	M	L		X
		47 Coordination with Outside Vendors	M	L		X
11	Capital Projects	48 Construction Planning & Monitoring	H	L		X
		49 Capital Project Funding & Payments	M	L		X
		50 Recordkeeping & Reporting	M	L		X
12	Fixed Assets	51 Inventory/ Capitalization Policy	H	L		X
		52 Acquisition and Disposal	H	L		X
		53 Inventory Process & Recordkeeping	H	L		X
13	Food Service	54 Sales Cycle and System	M	L		X
		55 Inventory and Purchasing	M	L		X
		56 Free & Reduced Meals	M	L		X
		57 Federal and State Reimbursement	H	L		X
		58 Financial Reporting & Monitoring	H	L		X
14	Extraclassroom Activity Fund	59 General Controls	H	L		X
		60 Revenue	H	L	T	X
		61 Expenditures	M	L		X
		62 Reporting	M	L		X

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Risk Rating and Internal Audit Plan (Continued)

√ = Internal Audit Services Provided	X = Proposed Business Cycle Review
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	Business Process	Business Process Categories	RISK		YEAR OF SERVICE	
			Inherent	Control	21-22	Subsequent
					20-21	
15	Information System	63 Governance	H	L		X
		64 Inventory	H	L		X
		65 Network Security	H	L		X
		66 Application Security	H	M		X
		67 Physical Security	H	L		X
		68 Disaster Recovery	H	L		X
16	Cybersecurity	69 General Controls	H	L	X	
		70 Information & Asset Security	H	L	X	
		71 Vulnerability Assessment	H	L	X	
		72 Incident Response & Recovery	H	L	X	
17	Student Data Management	73 Registration & Enrollment	H	M	T	X
		74 Student Attendance	H	L		X
		75 Student Performance	H	L		X
		76 Student Eligibility	H	L		X
18	Pupil Personnel Services	77 Budgeting and Planning	H	L		X
		78 STAC Reimbursement	H	L		X
		79 Medicaid Reimbursement	H	L		X
		80 RFP and Contracts	H	L		X
19	Transportation	81 Fleet Inventory and Maintenance	H	L		X
		82 Bus Routing and Planning	H	L		X
		83 Labor and Supervision	H	L		X
		84 Contract Management	H	L		X
		85 Federal and State Reimbursement	H	L		X
20	Safety & Security	86 Plan Development & Strategy	H	L		X
		87 Building Access & Security System	H	L		X
		88 Compliance and Incident Reporting	H	L		X
		89 Safety & Security Monitoring	H	L		X
21	Insurance / Risk Management	90 General	H	L		X
		91 Policy Management	H	L		X
		92 Claims Reporting	H	L		X

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Inherent Risk - Inherent risk pertains to the overall school district industry. Inherent risk is the risk of a material misstatement may occur assuming the absence of internal controls.

Control Risk - Control risk pertains specifically to the Svosset Central School District. Control risk is the risk that a material misstatement will not be detected and corrected by Management's internal controls on a timely basis.

RISK ASSESSMENT OBSERVATIONS AND RECOMMENDATIONS

Current Year Observations and Recommendations

Revenue and Cash Management

1. We noted that multiple bank accounts have outstanding checks which are over one (1) year outstanding.
 - *We recommend that the District continue to monitor outstanding checks. However, once a check has been outstanding for more than one (1) year, the check should be canceled as per General Municipal Law Section 21. The District should also maintain records regarding the cancelled checks. This will ensure that the District has the appropriate documentation on file and is in compliance with General Municipal Law.*

Payroll

2. The District has not recently conducted an unannounced payroll payout audit. Payroll payout audits minimize the risk of paying fictitious or inactive employees.
 - *We recommend a surprise payroll audit be conducted on a periodic basis (e.g. annually or bi-annually) whereby all employees must be physically present and provide photo ID to pick up their paycheck or sign a payroll confirmation. An annual physical payroll payout may detect unauthorized or fictitious employees. It may also detect the continuation of terminated or retired employees on the payroll.*

Information Systems

3. We noted that the District does not actively review Wincap audit logs. This increases the risk that unauthorized activity could occur and go undetected.
 - *We recommend that the District ensure that Wincap audit logs are reviewed and formally documented on a quarterly basis by an employee assigned by the District. This will assist in identifying any unusual activity.*

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EXHIBITS

Exhibit I Internal Audit Plan for 2021/2022



Syosset Central School District

2021/2022 INTERNAL AUDIT PLAN

(Based upon December 2021 Initial Risk Assessment)

Exhibit I

Cycle Review

Status

- **Cybersecurity**

Planned for Mar-22

Key Control Testing Areas

Status

- **Grants: Allowable Costs & Expenditures**
- **Extraclassroom: Revenue**
- **Registration & Enrollment**

Planned for Jul-22

Planned for Sep-22

Planned for Sep-22

Additional Internal Audit Services

Status

- **External Audit Corrective Action Plan Monitoring**
- **Annual Risk Assessment Update as of December 2022**
- **Payroll Payout Observation**
- **Issue Quarterly Status Reports**
- **Other Internal Audit Services at the Request of the District**

Planned for Dec-22

Planned for Dec-22

TBD

Quarterly

As Requested

Tentative On-Site Internal Audit Schedule

TBD