Jericho Union Free School District

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

June 2012

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 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 updated our June 2012 Risk Assessment by performing certain internal audit procedures pertaining to the time period starting July 1, 2011 through June 30, 2012. The updated Risk Assessment and related internal audit plan concentrates on the following key internal control areas:

- Governance and Planning
- 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
- Pupil Personnel Services
- Transportation

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

These agreed upon-procedures do not constitute an examination or audit of the District's financial statements. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the District and Board of Education and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Very truly yours,

Nawtochi Smith LPP

August 6, 2012

Jericho Union Free School District

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June 2012

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Risk Assessment Overview

The 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 risk 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 key 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/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 key 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

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 2012 and were carried out in order to determine an internal audit plan for fiscal year 2012/2013 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

Internal Audit Risk Assessment Update Summary

We have analyzed fifteen (15) Business Process areas within the District and have developed an internal audit plan based upon our assessment of each area. Each of the fifteen (15) 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 required annual risk assessment update as well as events/requests that occur during the year which will impact the priority of future internal audit services.

We have summarized below the fiscal year in which an extensive cycle review will be performed for each Business Process:

2012-2013

Cycle Review:

• Information Systems

Other 2012-2013 Planned Internal Audit Services:

- Key Control/Other Testing (See "T" categories on grid)
- Management Letter Corrective Action Monitoring
- Internal Audit Status Reports
- Payroll Payout Audit
- Other Internal Audit Services at the Request of the District

2013-2014

Cycle Review:

• Transportation

Other Cycle Reviews to be performed subsequent to 2013/2014

- Facilities and Capital Projects
- Grants
- Governance and Planning
- Accounting and Reporting*
- Benefits*
- Extraclassroom Activity Fund*
- Fixed Assets*
- Food Service*
- Human Resources*
- Payroll*
- Purchasing and Related Expenditures*
- Pupil Personnel Services*
- Revenue and Cash Management*

^{*}Full Cycle review completed in prior years

Risk Rating and Internal Audit Plan

✓= Internal Audit Services Provided

★= Business Cycle Review Complete

X = Proposed Business Cycle Review T = Limited Testing of Business Process

	siness Cycle Review Complete				<u>SK</u>		iness				
Business Process	Business Process Categories	In	ihere	nt	(Contr	ol			2013- 2014	Subsequent Years
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	Governance Environment	Assess Since		н	L	sideskuad Narada Narada	490400 211-01				X
Governance and	Control Environment / Policies & Procedures	100 A 100 A		Н	L	9000000 2000000000000000000000000000000	757.55 557.45	· /			X
<u>Planning</u>	Budget Development	3200		Н	L						X
	Budget Administration	SEMERA GOLGOS	М		L	1 5000 51005 201325333	enskaler Varskaler	V			X
		(800000 1800000	atilitari Rasessi	43345 13155	12.11.11.11.11.11.11.11.11.11.11.11.11.1	#1#5745 0x5255	40/20/ 120/20/		400 PM 100 PM 100 PM		
	Financial Accounting and Reporting	1557/150 1547/150 457/150	7000000 2000000	H	L	50005000 0000500 0000000	1951611966 4014419 9404649	*	T		
Accounting and	External/Internal/Claims Auditing			Н	L			*			
Reporting	Fund Balance Management			H	L		200300000 36000000	*			
				002/66 002/69							
	Real Property Tax		М		L			*		25,000,000,000	
	State Aid	1000/1000	10000000	Η	L	01/10000000	1000100	*			
	Out of District Tuition	1565 (CE)	М		L		559/59	*			
	Use of Facilities	-L	i dina	1234 (1244) 1234 (1244)	L	40.00000	56466 25466	太			
Revenue and	Donations	75577575 75577575 75577575	M	(x10001000) (x10001000) (x10001000)	L	1919 (1907)	\$25000000 \$35000000	⋆			
Cash	Vending Machines		3000	H	L			☆			
Management	Collection & Posting of Receipts			Н	L	97/17/97/19	P20000000	*	T		
	Cash Management			Н	L			☆			
	Investment Management			Н	L	200000	94807450 94867650	*			
	Petty Cash	L			L	1000		⋪			
	Bank Reconciliations			H	L			*	T		
				9355 936 14553 697	1650,000,000	5000510 300056					
	General Processing/Monitoring			Н	L						X
	Grant Application	7000	M		L		350 (83)				X
O	Allowable Costs			н	L	50,000,000 -7,000,000	distantes Vicinità				X
<u>Grants</u>	Cash Management	55455 1972/57	M	112222 1012	L						X
	Reporting and Monitoring	12000000 120000000000000000000000000000	2662336 2672346	Н	L	\$275,570 \$275,685	1005034363 2600313635				X
	Compliance			Н	L						X
						3/30/3					
<u>Payroll</u>	Payroll Disbursements	ndek elebes Georgeologiak	erriteini Santikasi	Н	\mathbf{L}_{z}	sa indayan Santasanis	ukszekse. Auksansky	*	Т		
	Payroll Accounting & Reporting			H	L			*			
	Payroll Tax Filings			H	L			☆			
	Payroll Reconciliation			Н	L			*			
									9.86		
<u>Human</u> <u>Resources</u>	Employment Requisition/Hiring			Н	L			*			
	Personnel Evaluation			Н	L	\$0.000 m		*			
	Termination			Н	L	515323		*			
	Employee Attendance	(4004999944) 1466614169	2000/08/08/08/ 50/50/50/50/50	H	L		rugestelligeit.	☆			

Nawrocki Smith LLP, Certified Public Accountants and Business Consultants Page 5

Risk Rating and Internal Audit Plan

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

		RISK									
Business Process	Business Process Categories	Iı	nhere	nt	(Contr	ol	Prior Years	2012- 2013	2013- 2014	Subsequent Years
		L	М	Н	L	M	Н				
	Eligibility	2000	10000	Н	L	198765 188785	52,807,507 55,407,500	*			
<u>Benefits</u>	Benefit Calculations	744.5	1419616 1416614	Н	egy Armen Armenia	М		*	T		
	Oversight of Third Party Administrators	aataaat Waxaas	andros. Present	H	L	2000000	2000	*			
		12:00/00/00/00/00/00/00/00/00/00/00/00/00/	Orkestes Profession SANASSIO	(SAMAS) SAMAS SAMAS	etje to Grade Herikalistika Herikalistika	wiedanie Britania	USBA JASBA Geografia	r geografices and strangers gravity of the		1300000000 1300000000 5000000000	
	PO System		5//9//	Н	L	55 G G		*			
	Payments Outside PO System	8.8		H	L		1350250	*			
Purchasing and	Purchasing Process	850/855	50055000	H	L			*			
Related	Payment Processing	San San	57 (Se- 7- 20 (Se) (Se	Н	L			*			
Expenditures	Travel and Conferences	94811295 55241394 7635555	01/2001	Н	L			*		***************************************	,
	Credit Cards	9800149054 980149054 980149054	\$1/dej//6	Н	L	4755Fy010	9888888	女			
		Haranagen Haranagen Haranagen									
	Facilities Maintenance	560,7660	50.530.0	Н	L	0/4009/00: 0/4009/00: 0/4009/00:			Stephenick	Activities Adville	X
Facilities/Capital Projects		0.000 04/00	М	П	L		000000000				X
	Construction Planning	89/89 78/89	22:06/3098A		950008000V						X
	Construction Monitoring	66.66	M		L			10000000000000000000000000000000000000	SA MAGALATIS	GE STANG	Λ
								*			
***	Acquisition and Disposal			H	L		incierasi	X			
Fixed Assets	Capitalization Policy	L	8.50		L.			X			
	Inventory			H	L				T		
		7641 H. STO	Section Co.	and the second second	SSASSA:	\$655.55 4450.004		20000			
	Federal and State Reimbursement	(0.00 (0.00) (0.00 (0.00) (0.00 (0.00)	100000000	Н	L		i garaga ayan i	*			
Food Service	Sales Cycle and System	\$5650,000 \$230,000 JACKS 0250	M	01000000000000000000000000000000000000		M	100000000 100000000	*			
	Inventory and Purchasing	Actor (80) (80) (80)	M		L	\$15,845. \$05846	000000000 0000000000000000000000000000	*			
en brenderlette og byrene regjere Verk redigele	Eligibility Verification	Property and	M		L			*	regionalists	fore visioner	
Extraclassroom	General Controls	300.50	25/4-25/4-3	H	L	3000000		*			
Activity Fund	Cash and Cash Receipts		50,500	H	L	97055019		*			
	Expenditures	See See	M		L			*	Sextactivity	ner (Menero	Raserussebjeaseaeessuseess
Information Systems	Governance Security			H	L			/	X		
	Network Security		100 00000	Н		M	5,45	V	X		
	Financial Application Security			H	500.00	M		V	X		
	Other Application Security		300 000 000 000 000 000 000 000 000 000	H		M		V	X		***************************************
	Disaster Recovery	veza (1777) Artikalari Veza (1884)	comments	Н	iganjejio,	M	2005/2006 005/2006 006/2006	V	X		

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

				<u>RI</u>	<u>sk</u>						
Business Process	Business Process Categories		Inherent			Control			2012- 2013		Subsequent Years
		L	M	Н	L	M	Н				
	Budgeting and Planning	4000 Abbay	М		L		50 (6-1) 60 (6-2)	*			
Pupil Personnel	STAC Reimbursement	100 mil 100 kg	M	10 10 10 1 10 10 10 1	11.125A 2007.00	М		*	T		
<u>Services</u>	Medicaid Reimbursement	49.499 44.499	M	989,699 480,689	1103000 310778	M		*	Т		
	RFP and Contracts	590,7850 300,7857	6000494 800880498	H	L			*			
		enika Tasa		497 (1995) (1997)	Sections of		diskrijenis Resiliation				
	Fleet Inventory and Maintenance			Н	L					X	
Transportation	Bus Routing and Planning			Н	L					X	
	Labor and Supervision		20200E	Н	L		1921 (SE) 321 (SE)			X	
	Federal & State Aid Reimbursement			Н	L		\$24 (A) \$25 (A) \$25 (A)			X	
		ingin takhar.		grafik didak	dug distric		247aa6b)		inipipitiini.	ing salah dari Professional	Martinia distributa de personale de la composición de la composición de la composición de la composición de la

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

<u>Control Risk</u> - 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

No recommendations at this time.