Shoreham-Wading River Central School District
Risk Assessment Update Report
For the Period Ending June 30, 2020
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Board of Education  
Shoreham-Wading River Central School District  
250b Route 25A  
Shoreham, New York 11786  

We have completed our risk assessment update of the Shoreham-Wading River Central School District (the “District”) for the period ending June 30, 2020. The objectives of the engagement were to assist the Board of Education (the “Board”) in ensuring that the District’s risks are identified and that appropriate internal controls are in place to mitigate those risks.

In connection with the development of the risk assessment update, we have performed the following procedures:

- Gained an understanding of the internal controls for the following key business processes:
  - Governance and Planning
  - Accounting and Reporting
  - Cash Receipts
  - Cash Management
  - Revenue and Billings
  - Grants
  - Payroll
  - Human Resources
  - Benefits
  - Purchasing and Related Expenditures
  - Facilities and Capital Projects
  - Capital Assets
  - Food Service Operations
  - Extracurricular Activity Fund
  - Information Technology
  - Student Related Data and Services
  - Transportation Services
  - Student Services

- Identified the risks that could inhibit the District in achieving its goals;

- Identified the internal controls that the District has in place that are designed to mitigate identified risks; and

- Identified key areas where the District can strengthen existing internal controls and/or create additional internal controls.
The results of our procedures are presented on the following pages.

As noted, the purpose of our engagement was to assist you in improving the process by which you monitor and manage the risks that face your District. However, it is ultimately your responsibility to assess the adequacy of your risk management system.

In performing our engagement, we relied on the accuracy and reliability of information provided by District personnel. We have not audited, examined, or reviewed the information, and express no assurance on it.

We would like to acknowledge the courtesy and assistance extended to us by personnel of the District. We are available to discuss this report with the Board or others within the District at your convenience.

This report is intended solely for the information and use of the Board, the Audit Committee and the management of the District and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

R.S. Abrams & Co., LLP
November 30, 2020
Executive Summary

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 internal audit function requirement includes the engagement of a qualified audit firm or individual to make an initial assessment of risk surrounding the design of the district’s internal controls, annual updates of the initial risk assessment, and 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.

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 period ending April 30, 2019, including reports on Extraclassroom Activity Fund and Community Programs, and the risk assessment update, to determine if relevant controls have been put in place based on the reports.

The risk assessment requires an internal auditor to obtain an understanding of the risks associated with the various business processes within the District. This requirement involves two categories of risk as follows:

- **Inherent Risk** - the risk associated with the nature and type of transactions processed due to complexity, materiality, and quantity of the transactions.

- **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.

The risk areas have been identified and appropriate risk levels have been determined. The risk levels are defined as follows:

- **High Risk** – these are areas identified as posing the greatest potential risk for the school district and carry the highest priority. Any outstanding items will be carried over and re-evaluated in the following year’s risk assessment.

- **Moderate Risk** – these are areas identified as to be of second level priority and will be addressed after the high-risk items are completed. Any outstanding items will be carried over and re-evaluated in the following year’s risk assessment.

- **Low Risk** – these areas are considered lowest priority and will be addressed after the high and moderate risk items are completed.
We have summarized our assessment of inherent risk and control risk for the current and prior year, as well as our proposed testing plan in our *Assessment of Risk and Testing Plan* (See Appendix A).

**Process Review Summary and Proposed Business Processes**

The following represents the business processes where we have provided internal audit services, and the business process we are proposing for the fiscal year ending June 30, 2021:

**Extensive System Reviews:**
- 2019 – 2020: Student Safety and Student Data Reporting
- 2018 – 2019: Extraclassroom Activity Fund and Community Programs
- 2017 – 2018: Information Technology
- 2016 – 2017: Capital Projects
- 2015 – 2016: Procurement and Claims Processing
- 2014 – 2015: System to Track and Account for Children Procedures (“STAC”)
- 2013 – 2014: Human Resources
- 2012 – 2013: Student Related Data and Services
- 2011 – 2012: Transportation Operations
- 2010 – 2011: Food Service Operations
- 2009 – 2010: Information Technology and Benefits

**Extensive System Proposed:**
- 2020 – 2021: Grants
Shoreham-Wading River Central School District  
Risk Assessment Update Report Introduction  
For the Period Ending June 30, 2020

High Risk Items

Status of Prior Year Findings

INFORMATION TECHNOLOGY

NETWORK SECURITY

Previous Control Risk Level: High (H)

Reason for Prior Year Control Risk Level: During our prior year risk assessment update, we noted the following for the District’s network security:

- We noted three Active Directory Domain Administrator accounts for which the District was unable to provide supporting documentation that this level of access was required. For two of these accounts, the District was in the process of updating network settings, and planned to revoke the domain administrator access once complete. We also noted two Active Directory Domain Administrator accounts and one Active Directory Enterprise Administrator account that were not assigned to individual users.
- Network passwords were not held to complexity requirements (requiring a combination of uppercase and lowercase letters, numbers, and symbols) and the minimum password length was six characters. The minimum character length recommended by the Office of the State Comptroller was eight characters.
- Network users were locked out for only ten minutes after the maximum number of failed login attempts has been reached.

Current Year Status: During our current year risk assessment update, we noted the following for the District’s financial application security processes:

- We noted three Active Directory Domain Administrator accounts for which the District was unable to provide supporting documentation that this level of access was required. Subsequent to our audit procedures, two of these accounts were removed.
- We noted two Active Directory Domain Administrator accounts and two Active Directory Enterprise Administrators account that were not assigned to individual users.
- Network passwords are not held to complexity requirements (requiring a combination of uppercase and lowercase letters, numbers, and symbols) and the minimum password length is six characters. The minimum character length recommended by the Office of the State Comptroller is eight characters. The District is in the process of updating password length requirements, and plans to have the process completed in July 2021.

We also noted network users are locked out after five failed login attempts and must contact a network administrator to have their accounts unlocked. This alone does not justify a control risk lower than high, as we considered the entire control environment in making our assessment.

As such, we maintain our assessment of control risk as high.

Updated Control Risk Level: High (H)
Moderate Risk Items

Status of Prior Year Findings

PURCHASING AND RELATED EXPENDITURES

PURCHASING PROCESS AND PURCHASE ORDER SYSTEM

Previous Control Risk Level: Moderate (M)

Reason for Prior Year Control Risk Level: During our prior year risk assessment update, we noted the following for the District’s purchasing process and purchase order system:

- The District did not have procedures in place to perform a comparison of the vendor master file to the payroll master file to assist in monitoring potential conflicts of interest and the proper classification of vendor versus employee. The District was in the process of developing procedures to perform this comparison as a part of the IRS Form 1099 issuance process.
- The District’s policy No. 5410, Purchasing, did not address all of the elements required by the Uniform Guidance.
- While the District’s policy No. 6110, Code of Ethics for All District Personnel, included written standards of conduct regarding conflicts of interest, it did not include the disciplinary actions which would be applied for any violations, as was required by the Uniform Guidance.

Current Year Status: During our current year risk assessment update, we noted the following for the District’s purchasing process and purchase order system:

- The District does not have procedures in place to perform a comparison of the vendor master file to the payroll master file to assist in monitoring potential conflicts of interest and the proper classification of vendor versus employee.
- The District’s policy No. 5410, Purchasing, does not address all of the elements required by the Uniform Guidance.

We also noted the District’s policy No. 6110, Code of Ethics for All District Personnel, includes both written standards of conduct regarding conflicts of interest, and the disciplinary actions which will be applied for any violations, as is required by the Uniform Guidance. This alone does not justify a control risk lower than moderate, as we considered the entire control environment in making our assessment.

As such, we maintain our assessment of control risk as moderate.

Updated Control Risk Level: Moderate (M)

***
## GENERAL CONTROLS

### EXTRACLASSROOM ACTIVITY FUND

**Previous Control Risk Level:** Moderate (M)

**Reason for Prior Year Control Risk Level:** During our prior year internal audit report on extracurricular activity fund and community programs, we noted the following for the District’s extracurricular general controls:

- The District had adopted policy No. 5520 *Extracurricular Activity Fund* which states that all extracurricular activity funds shall be handled in accordance with the procedures illustrated by *Finance Pamphlet No. 2, the Safeguarding, Accounting and Auditing of Extracurricular Activity Funds, 2008*. This document had since been replaced by *Finance Pamphlet No. 2, the Safeguarding, Accounting and Auditing of Extracurricular Activity Funds, Revised 2019*.
- The Board had not formally appointed a chief faculty counsellor or a faculty auditor as recommended by *Finance Pamphlet No. 2, the Safeguarding, Accounting and Auditing of Extracurricular Activity Funds, Revised 2019*.
- Although reconciliations of cash collections were prepared by the Faculty Advisors in some instances, complete formal reconciliations were not always prepared, and the reconciliations that were prepared were not provided to an individual who was independent from the cash collections process for review.
- In two out of three extracurricular clubs selected for review, the Faculty Advisor and Student Activity Treasurer did not maintain independent ledgers to track the club’s available balance.
- *Applications for Club Charters* were not completed for any clubs in the 18/19 fiscal year.

**Current Year Status:** During our current year risk assessment update, we noted the following for the District’s extracurricular general controls:

- The District has adopted policy No. 5520 *Extracurricular Activity Fund* which states that all extracurricular activity funds shall be handled in accordance with the procedures illustrated by *Finance Pamphlet No. 2, the Safeguarding, Accounting and Auditing of Extracurricular Activity Funds, 2008*. This document has since been replaced by *Finance Pamphlet No. 2, the Safeguarding, Accounting and Auditing of Extracurricular Activity Funds, Revised 2019*.
- The Board has not formally appointed a chief faculty counsellor or a faculty auditor as recommended by *Finance Pamphlet No. 2, the Safeguarding, Accounting and Auditing of Extracurricular Activity Funds, Revised 2019*.
- For one out of three cash receipts selected for testing, no reconciliation of the cash collected for sales to the number of items purchased from the vendor was prepared.

We also noted the following controls which, while functioning effectively, do not justify a control risk lower than moderate, as we considered the entire control environment in making our assessment.
• In three out of three extracurricular clubs selected for review, the Faculty Advisor and Student Activity Treasurer maintain an independent ledger to track the club’s available balance.

• Ten out of ten clubs selected for testing had a club charter on file for the 2019-2020 school year.

As such, we maintain our assessment of control risk as moderate.

Updated Control Risk Level: Moderate (M)

***

INFORMATION TECHNOLOGY

FINANCIAL APPLICATION SECURITY

Previous Control Risk Level: Moderate (M)

Reason for Prior Year Control Risk Level: During our prior year risk assessment update, we noted the following for the District’s financial application security processes:

• The Business Manager acted as the System Administrator, and although the District had procedures in place to perform a review of the audit trails report for the System Administrator user account on a quarterly basis, the review was not documented.

• User passwords for the District’s accounting system, nVision, were held to complexity requirements with a minimum password length of six characters and were required to contain at least one letter and one number, however, the minimum password length recommended by the Office of the State Comptroller was eight characters. As noted above, the District was in the process of updating password length requirements, and planned to have the process completed during the 2020-21 school year.

Current Year Status: During our current year risk assessment update, we noted the following for the District’s financial application security processes:

• The Business Manager acts as the System Administrator, and the District does not have procedures in place for a documented review of the audit trails report for the System Administrator user account.

• User passwords for the District’s accounting system, nVision, are held to complexity requirements with a minimum password length of six characters and must contain at least one letter and one number, however, the minimum password length recommended by the Office of the State Comptroller is eight characters. As noted above, the District is in the process of updating password length requirements, and plans to have the process completed during the 2020-21 school year.

As such, we maintain our assessment of control risk as moderate.

Updated Control Risk Level: Moderate (M)

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Moderate Risk Items

Current Year Testing

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MEDICAL BENEFITS

Control Risk Level: Moderate (M)

Reason for Risk Level: We have assessed the level of control risk for the District’s medical benefits process as moderate based on the following reasons:

- The benefits clerk reconciles the health insurance plan members to the master deduction listing from the accounting information system on an annual basis to verify that appropriate payroll deductions are in place for all enrolled employees, however this reconciliation is not reviewed and approved by an individual who is independent from the benefits enrollment process.
- The health insurance buyout list is reviewed and approved by an appropriate administrator; however, the review does not include a comparison to the detailed health insurance invoice.

We also noted the following controls which, while functioning effectively, do not justify a control risk lower than moderate, as we considered the entire control environment in making our assessment.

- Although changes to enrollment are not reviewed and approved by a responsible administrator prior to being processed, the Assistant Superintendent for Human Resources reviews and approves the detailed health insurance invoice on a monthly basis, which includes a reconciliation of any enrollment changes.
- Employees must complete the appropriate enrollment forms and submit them to the benefits clerk along with any required forms of documentation to support family coverage.
- The District offers employees a cash payment in lieu of District provided health insurance at a cost savings to the District, which is based on the applicable bargaining unit’s employment contract.

***
STUDENT SAFETY AND STUDENT DATA REPORTING

STUDENT SAFETY AND SECURITY

Control Risk Level: **Moderate (M)**

Reason for Risk Level: We have assessed the level of control risk for the District’s student safety and security procedures as moderate based on the following reasons noted in our internal audit report on student safety and student data reporting:

- Prior to our audit procedures, the District had not completed the *School Security Survey* available from the Department of Homeland Security, which is a self-assessment tool to be utilized by school districts to identify any weaknesses in the District’s security protocols. The District completed the *School Security Survey* as requested during our audit procedures. As a result, the District identified certain areas in which the District’s security could be improved, including, but not limited to, annual testing of the District’s emergency management plans, documenting of certain security procedures, developing procedures to identify suspicious packages and to determine how those packages should be handled, and controlling access to after school events.
- At Shoreham-Wading River High School, only three of four required lockdown drills were conducted during the 2018-19 school year.
- The District did not have the required training records for four of ten security guards selected for testing.
- The District-Wide School Safety Plan did not include the following required components:
  - Policies and procedures for newly hired employees hired after the start of the school year to receive school safety training within 30 days of hire.
  - Policies and procedures relating to school building security, including the use of school building security, school safety officers, and/or security devices.
  - A description of the duties of hall monitors and any other school safety personnel, the training of all personnel acting in a school security capacity, and the hiring and screening process for all personal acting in a school security capacity.
- The District’s Building-Level Emergency Response Plans are not adopted by the Board on an annual basis as required by Education Law §§ 807 and 2801-a as well as Commissioner’s Regulation 155.17.
- The District’s Building-Level Emergency Response Teams did not include representatives of all groups required by Education Law §§ 807 and 2801-a as well as Commissioner’s Regulation 155.17

***
Low Risk Items

Status of Prior Year Findings

EXTRACLASSROOM ACTIVITY FUND

CASH, CASH RECEIPTS AND DISBURSEMENTS

Previous Control Risk Level: Moderate (M)

Reason for Prior Year Control Risk Level: During our prior year internal audit report on extraclassroom activity fund and community programs, we noted the following for the District’s extraclassroom activities cash, cash receipts, and disbursements processes:

- Eight out of twenty cash receipts selected for testing did not include support for the cash collected.
- Two out of twenty cash disbursements selected for testing did not include evidence of student involvement on the payment order form.
- Three out of twenty cash disbursements were not properly cancelled to prevent duplicate payment.

Current Year Status: During our current year risk assessment update, we noted the following for the District’s extraclassroom activities cash, cash receipts, and disbursements processes:

- Ten out of ten cash receipts selected for testing included support for the cash collected.

We also noted one out of ten cash receipts selected for testing did not include evidence of student involvement on the cash receipt form, and six out of ten cash disbursements did not include applicable sales tax. This alone does not justify a control risk higher than low, as we considered the entire control environment in making our assessment.

As such, we have reduced our assessment of control risk to low.

Updated Control Risk Level: Low (L)

***

STUDENT SERVICES

COMMUNITY PROGRAMS

Previous Control Risk Level: Moderate (M)

Reason for Prior Year Control Risk Level: During our prior year internal audit report on extraclassroom activity fund and community programs, we noted the following for the District’s community programs procedures:

- Cash collected at the Fourth of July race, Thanksgiving Day race, and annual egg hunt
was not counted the day of the event, prior to being locked in a cabinet in the community programs office.

- One out of twenty cash receipts did not include a listing of the individuals who submitted the payments.
- For one out of five employees selected for testing, the District did not obtain fingerprint clearance prior to hiring the employee. Subsequent to our testing, we noted the District received a Notice of Denial of Clearance for Employment, and the employee was promptly terminated.

Current Year Status: During our current year risk assessment update, we noted the following for the District’s community programs procedures:

- Cash collected at the Thanksgiving Day race was counted the day of the event, prior to being locked in a cabinet in the community programs office. The Fourth of July race and annual egg hunt were not held during 2020.
- One out of five cash receipts, support provided to the treasurer did not include a listing of the individuals who submitted the payments, however a listing of the individuals who submitted the payments was subsequently provided by the community programs office.
- We selected five community programs employees for testing, noting fingerprint clearance was obtained by the District in accordance with Education Law.

As such, we have reduced our assessment of control risk to low.

Updated Control Risk Level: Low (L)

***

Low Risk Items

Current Year Testing

GOVERNANCE AND PLANNING

GOVERNANCE AND CONTROL ENVIRONMENT

Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the level of control risk as low for the District’s governance and control environment processes based on the following reasons:

- The Board of Education receives monthly revenue and appropriation status reports for all funds as required by Commissioner’s Regulation §170.2.
- The Board of Education receives monthly treasurer’s reports and warrants for all the District’s funds as well as quarterly extraclassroom activity fund reports.
- Fund balance projections are prepared during the budget development process to adequately determine the appropriate funding of reserves and assigned fund balance at year end.
• The District has adopted policy No. 3410, Code of Conduct on School Property, and has adopted the related code of conduct which addresses the legally required elements.
• The District has adopted policy No. 6110, Code of Ethics for All District Personnel, which demonstrates the Board’s commitment to cascading an ethical environment within the District and complies with General Municipal Law §806.
• An Audit Committee has been appointed in accordance with Chapter 263 of the Laws of 2005 and a related audit committee charter has been developed and adopted by the Board of Education.
• The Board of Education has received the required training in accordance with Chapter 263 of the Laws of New York 2005.
• The District makes all Board of Education policies available to employees on the District’s website. Further, by publishing the policies on the District’s website, the Board ensures transparency to the residents of the District.

***

**BUDGET DEVELOPMENT ADMINISTRATION**

Control Risk Level: Low (L)

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

• The District has adopted budget policies that include policies surrounding the District’s budget development and preparation procedures and budget administration.
• All of the District’s budget information is posted on the District’s website for easy access to the District’s residents.
• The District mass encumbers all known obligations, including such items as BOCES obligations and salaries at the beginning of the fiscal year, which is an important aspect of proper budgetary controls to allow management to arrive at a reasonably accurate estimate of uncommitted appropriations at year end.
• The District’s accounting information system has controls in place whereby encumbrances cannot be placed in excess of budgeted amounts.

***

**BUDGET TRANSFERS**

Control Risk Level: Low (L)

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

• The District has adopted policy No. 5330, Budget Transfers, which authorizes the Superintendent, Assistant Superintendent for Finance and Operations, and the Business Manager to make budget transfers between line item accounts in accordance with limits set by the Board of Education at the annual reorganizational meeting. Budget transfers in excess of $2,000 must be provided to the Board as an informational item.
• The District utilizes a formal *Budget Transfer Form* to initiate the transfer in the accounting information system, which facilitates the approver’s signature.
• The individual who processes the budget transfers in the accounting information system is independent of the accounts payable function, thus a proper segregation of duties in the budget transfer process.
• 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.

***

**BENEFITS**

**BENEFITS ELIGIBILITY AND CALCULATIONS**

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the District’s benefits eligibility and calculations processes based on the following reasons:

• The benefits clerk has access to the various employment contracts to ensure all fringe benefits have been properly identified.
• The District provides all new hires with the appropriate paperwork regarding benefits, which includes the required notification of the right to join the retirement system.
• The District contracts with a compliance agent regarding the District’s 403(b) benefits.

***

**RETIREE HEALTH INSURANCE**

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the control risk for the District’s retiree health insurance processes as low based on the following reasons:

• The District has a process to contact all retirees, their spouses and/or dependents to obtain updates of their contact and eligibility information.
• Retirees are required to complete a form annually confirming that they are not eligible to receive a Medicare reimbursement from another source in order to receive a Medicare reimbursement from the District.
• All retirees must submit a copy of their Social Security letter detailing their Medicare premium amount or an IRS form 1099-SA in order to receive a Medicare reimbursement from the District.
• Medicare reimbursements are reviewed and approved by the claims auditor prior to payment being issued.

***
FACILITIES AND CAPITAL PROJECTS

FACILITIES MAINTENANCE

Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the level of control risk for the facilities maintenance processing as low based on the following reasons:

- The District has adopted policy No. 5630, *Facilities: Inspection, Operation and Maintenance*, as recommended by the State Comptroller. The policy assigns the responsibility of protecting the District’s facilities through a systematic maintenance program to the Superintendent.
- The District performs regular inspection and preventative maintenance of District facilities.
- The District has a five-year capital facilities plan regarding its educational facilities to be in compliance with Commissioners Regulation §155.1.
- The District utilizes an electronic work order system to track and prioritize repair requests and to ensure they are completed in a timely manner.
- The District maintains current certificates of occupancy for all District buildings.

We also noted the District has not prepared a formal facilities maintenance plan. This alone does not justify a control risk higher than low, as we considered the entire control environment in our assessment.

***

CONSTRUCTION PLANNING AND MONITORING

Control Risk Level: Low (L)

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

- The Director of Facilities verifies all documents related to capital project expenditures before payment is made. This includes a review of costs, certified payrolls and the related American Institute of Architects (“AIA”) documents from the District’s architect, which is then signed off by the Assistant Superintendent for Business.
- 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 the District’s accounting information system.
- The District’s final cost report is prepared by the Business Administrator, and is compared to the accounting information system for accuracy.
- Appropriate professionals are utilized in the District’s facilities and capital construction projects to assist the District in the monitoring of construction projects.

***
**FINAL BUILDING PROJECTS REPORTS**

Control Risk Level: **Low (L)**

**Reason for Risk Level:** We have assessed the control risk for the District’s final building projects reports processes as low based on the following reasons:

- The District’s accounting software has the ability to track expenses by SED project number.
- The District receives a substantial completion form from the architect which signifies that the capital project is completed.
- The Assistant Superintendent for Business is responsible for reviewing and/or filing the SA-139, Request for Building Project Data, FP-F1, Request for Revision of Financial Information and Final Building Projects Reports.
- The Assistant Superintendent for Business is aware of the deadlines for filing the Final Building Project Reports.

***

**FOOD SERVICE OPERATIONS**

**SALES CYCLE**

Control Risk Level: **Low (L)**

**Reason for Risk Level:** We have assessed the level of control risk for the sales cycle as low based on the following reasons:

- The District’s POS system that is in place does not provide the cashier with the cash balance that should be in the system; rather it is a “blind” system so the cashier has to input the total cash in the drawer before being provided with the overage or shortage amount, if any.
- Each register is counted by both the cashier and the cook or manager to verify accuracy.
- Cashiers are periodically rotated.
- The District Treasurer performs surprise register counts on a weekly basis.
- Food service deposits are made daily. Deposits for Shoreham-Wading River High School are brought to the accounts receivable department by the cook, deposits for other buildings are brought directly to the bank by the cook or manager.

***
INVENTORY AND PURCHASING

Control Risk Level: Low (L)

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

- Inventory counts for the food service program are conducted by the cooks and food service workers of each building. The District Treasurer and Food Service Director perform test counts to verify accuracy.
- Purchasing for the food service program is primarily the responsibility of the Food Service Director, however the cook at each building can also place orders when necessary.
- Purchases for the food service program are made in accordance with the District’s purchasing policy and follow the District’s purchasing procedures.

***

ELIGIBILITY VERIFICATION

Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the level of control risk for the eligibility verification as low based on the following reasons:

- Free and reduced price meal applications are reviewed and approved by the Assistant Superintendent for Finance and Operations.
- The District does not have a process for direct certification, however families receiving State or federal aid for meals, such as food stamps, are asked to provide an approval letter for the aid program, and are then eligible to receive free meals.
- The District makes available free and reduced meal applications by sending them home to the student’s parents. Additionally, a notice is published in local newspapers, and the application is made available on the District’s website.
- The District adopted policy No. 5660, Special Milk Program, which describes the District’s participation in the special milk program, and states that all students will be entitled to free milk through the program.

***

VENDING MACHINES

Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the level of control risk for the vending machine as low based on the following reasons:

- The District maintains a contract on file with Dover Gourmet Corp., an outside vendor providing vending services to the District.
- Dover Gourmet Corp. provides a commission report for the vending machines which
provides a detail of the sales and meter readings for the month.

- The District receives commission checks from Dover Gourmet Corp. on a quarterly basis.

We also noted that the District does not perform a reconciliation of meter readings to sales for Dover Gourmet Corp. to ensure that the commission checks that are received are accurate. This alone does not justify a control risk higher than low, as we considered the entire control environment in making our assessment.

***

**TRANSPORTATION SERVICES**

**STUDENT TRANSPORTATION**

Control Risk Level: Low (L)

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

- The District has adopted policy No. 5720, *Scheduling and Routing*, which states that all residents attending District schools will be provided with District transportation to and from school, with no mileage limitations.
- The District has adopted policy No. 5730, *Transportation of Students*, which addresses the District’s procedures surrounding the transportation of students with disabilities and non-resident students, and the transportation of students to non-public schools and to school sponsored events.
- The District has adopted policy No. 5761, *Drug and Alcohol Testing for School Bus Drivers and Other Safety-Sensitive Employees*, which is a legally required policy.
- The District has appointed the Assistant Superintendent for Business as the designee responsible for administering the transportation program. The day to day operations of the District’s transportation system are overseen by the principal office assistant in the transportation department.
- Beginning with the 2020-21 school year, the District assigns bus stops to each student in an effort to improve the operational efficiency of the transportation system and to more evenly distribute students between bus routes. The District intends to continue this practice on a go forward basis.

***

**TRANSPORTATION CONTRACTS**

Control Risk Level: Low (L)

Reason for Risk Level: We have assessed the level of control risk for the District’s transportation contracted services compliance as low based on the following reasons:

- We noted transportation services contracts were determined by request for proposals and were approved by the Commissioner of Education.
• The transportation contract includes a clause that authorizes the Board to increase or decrease the level of service without altering the terms of the agreement.
• The District maintains relevant documentation surrounding contracts, contract extensions, bidding information, rider lists, mileage records and allocated expenses.

***

**TRANSPORTATION STATE AID**

Control Risk Level: **Low (L)**

**Reason for Risk Level:** We have assessed the level of control risk for the District’s transportation state aid compliance as low based on the following reasons:

• The Business Manager monitors the receipt of transportation aid and reviews the Transportation Formula Aid Output report on an annual basis for accuracy.
• The Business Manager reviews the receipt of transportation aid as a part of the reconciliation of total State aid to ensure that the District receives the State aid payments to which it is entitled.

***
### Shoreham - Wading River Central School District
#### Assessment Of Risk and Testing Plan
For the Period Ending June 30, 2020

**Legend**

- Extensive system process review completed
- Extensive system process review proposed
- Processes evaluated

<table>
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<th>BUSINESS PROCESSES &amp; SUBPROCESSES</th>
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- ✓ Extensive system process review completed
- ■ Extensive system process review proposed
- * Processes evaluated

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