



Patchogue-Medford School District

Updated Risk Assessment

For the 2021-2022 School Year

November 2021

The Board of Education
Patchogue-Medford Union Free School District
241 South Ocean Avenue
Patchogue, NY 11772



Board of Education:

We have been retained to function as the internal auditor for the Patchogue-Medford Union Free School District (hereinafter, “the District”). Our responsibility is to assess internal control systems within the District, and to make recommendations to improve upon possible control weaknesses or deficiencies. In doing so, we hope to provide assurance to the District’s Board, management, and residents, that the fiscal operations of the District are being handled appropriately and effectively.

The first step of the internal audit process is to develop a detailed risk assessment of the operations, systems, and controls in place within the District. We performed such an assessment in the 2019-2020 school year, and issued our report dated December 2019 to the Board of Education, outlining our findings and those areas we believed additional testing should be focused on by the District. The purpose of this report is to update that risk assessment for the 2021–2022 fiscal year. This assessment is performed on an annual basis. In assessing risk, we consider:

- **inherent risk:** the risk associated within a system based upon the nature of transactions processed by that system (i.e., quantity, complexity, value, etc.) absent of any controls or actions that might be in place to mitigate or reduce risk. Per the Institute of Internal Audit (IIA), a process with a high level of inherent risk is indicative of a process that is critical to the achievement of organizational goals. However, because effectiveness of internal control is “point in time,” even high inherent risk processes with low residual risk should be audited regularly.
- **control risk:** the risk that the District’s system of internal control is not adequately designed to timely prevent or detect errors or fraud that could be material.
- **residual risk:** the risk related to a process or environment subsequent to the application controls or actions put in place to mitigate inherent risk. Per IIA, a process with a high level of residual risk is indicative of controls and processes that are not effective and/or that may not be mature. The risk of control failure is likely. Significant improvement can be made in an area with HIGH residual risk.
 - Per IIA, a process with high inherent risk and high residual risk is indicative of a process that is critical to the achievement of organizational goals, however, sufficient information is not available to assess the effectiveness of controls or the control assessment does not indicate that controls are effective at reducing the high inherent risk level.
- **emerging risk:** represents the new risks or familiar risks that become apparent in new or unfamiliar conditions. This risk is difficult to quantify and may have a high loss potential.

To update that initial risk assessment, we perform a review of the following six areas as listed below in terms of how these areas relate to the topics contained in the detailed assessment for the 2019-2020 fiscal year. As risks are fluid, these areas are reviewed on an annual basis or throughout the year, as applicable.

I. Review of Staffing:

To perform this review, we assess any changes in key positions, those within the Business Office, as well as Assistant Superintendents and key directors throughout the District. For the 2021-2022 school year, we noted the following changes in staffing:

- Ms. Karen Damiano was appointed to Account Clerk in the District's Accounts Payable department effective August 18, 2021, replacing Inga Veschi who retired effective the close of business August 20, 2021.
- Ms. Jennifer Stearns was appointed to Payroll Manager effective November 8, 2021, replacing Ms. Lynn Risch who retired effective the close of business October 29, 2021. Ms. Risch will provide training to her successor intermittently through June 30, 2022.

These changes do not affect our assessment of risk in the District. If any additional staff changes occur during the school year, we will review the impact of such changes on the various departments of note and adjust our testing accordingly.

II. Review of Board Policies:

The District proactively reviews and assesses current policies and considers revising existing policies or implementing new policies to strengthen the internal control environment of the District, and to ensure compliance with any new regulations. As part of our internal audit function, we review policies that may have a potential impact on operations and/or financial management. For the 2021-2022 school year, we noted there were no new Board policies or amendments to any existing Board policies with fiscal implications. However, we did note that the District has implemented a new policy surrounding gender neutrality. Specifically, on December 23, 2020, Governor Cuomo signed Assembly Bill A5240A into law, requiring, in part, that school districts and BOCES in New York state designate all single-occupancy bathroom facilities as gender neutral. The new requirements were effective March 23, 2021. As a result, the District has adopted Policy 5185: Gender Neutral Restrooms. We will continue to review new policies and/or changes to policies during the fiscal year to assess the potential impact on our risk assessment.

III. Review of Changes in Information Technology (IT) Environment:

In light of recent breaches in other districts, we discussed cybersecurity protocols, inventory processes, staff and student training, and compliance with Education Law 2d. The District is proactive in training on cybersecurity and technology etiquette to staff and students. The District also continues to install firewall upgrades and address repairs as needed to ensure access security controls are up-to-date, and computer operations have minimal interruptions. Recently, the District hired a Network and Systems Technician whose primary responsibility will involve the tracking and monitoring of IT-inventory as well as other necessary IT-related responsibilities. If any changes occur within the information technology environment, we will review those items and adjust our testing accordingly.

IV. Review of External Audit Management Letter:

We have reviewed the management letter for the fiscal year ended June 30, 2021 from R. S. Abrams & Company, LLP, the District's external auditors to determine if any additional key items arose during the District's external audit that were not previously considered in our risk assessment. The external auditors did not identify any areas in which the District's internal controls could be improved. The District should be commended for its continued efforts to implement strong controls. Should we determine that our risk assessment needs to be revised based on future reviews, we will notify the Board of any changes in our audit plan.

V. Review of Claims Auditor Reports:

We have reviewed the claims audit reports prepared by the District's claims auditor. Based on our review of the claims auditor's findings, we have not identified any areas of risk that were not identified during our initial risk assessment. Should we determine that our risk assessment needs to be revised based on future reviews, we will notify the Board of any changes in our audit plan.

VI. External Factors:

As part of our annual risk assessment, we consider external factors which are circumstances or situations that a district cannot control but that affect the decisions a district has to make. Since external factors are fluid and ever-evolving, we work with the District to identify external factors that may create emerging risk in new or familiar test areas. To assess external factors, we review published audit reports from the State, subscribe to various educational newsletters, are actively involved with many organizations (e.g., NYSSBA, NYSASBO, Nassau ASBO, Suffolk ASBO, the NYSSCPA Public School Committee, SDIAA, and the IIA), review District Board minutes, and monitor events that are occurring at other districts, especially those districts we work with. As of our report date, we have not identified external factors that give rise to increased risk or change our current assessment of risk in our identified test areas.

Conclusion and Current Year Testing by Internal Audit:

The potential risks outlined in our risk assessment report dated December 2019 continue to be areas of potential risk that the District should be aware of. Since our initial risk assessment, we have tested the areas with the highest level of risk in the District, and we have presented the results of our testing thus far to the Audit Committee. As such, the Audit Committee recommended assessing the internal controls over employee health insurance benefits and payments. In addition to our audit testing, we will follow-up on prior recommendations made to the Board. We continue to commend management for its proactive approach to internal controls within the District. Should additional areas arise during our testing that we feel should be reviewed, we will discuss the matter with the Audit Committee and Board.

We would like to thank the staff at the District for their cooperation and professionalism during our review.

We understand the fiduciary duty of the Board of Education, as well as the role of the internal auditor in ensuring that the proper control systems are in place and functioning consistently with the Board's policies and procedures.

Should you have any questions regarding anything included in our report, please do not hesitate to contact us at (631) 582-1600.

Sincerely,

Cerini & Associates LLP

Cerini & Associates, LLP
Internal Auditors