



Patchogue-Medford School District

Risk Assessment Report

For the 2023 - 2024 School Year

February 2024

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



To the 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.

BACKGROUND

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 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 2023-2024 school year. This assessment is performed on an annual basis or throughout the year, as applicable. 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.

CURRENT YEAR ASSESSMENT

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 2023-2024 fiscal year. As risks are fluid, these areas are reviewed on an annual basis or throughout the year, as applicable.

1. 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. As part of this process, we confirmed that our understanding of the internal controls over various business functions and processes has remained consistent with our understanding as documented during our detailed risk assessment performed in the 2022-2023 school year. If any staffing 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.

2. Review of Board Policies:

The District continues to proactively review and assess current policies to determine whether existing policies should be revised, or new policies should be implemented to strengthen the internal control environment of the District. In addition, the District ensures all required policies have been implemented. As part of our internal audit function, we review policies that may have a potential impact on operations and/or financial management. We did not have any recommended changes to the existing policies. We will continue to review any policies with fiscal implications that may be implemented or revised throughout the year and will assess the potential impact on our risk assessment.

3. Review of Information Technology (IT) Updates:

The District continues to dedicate resources to ensure sufficient cybersecurity protocols, and inventory processes are in place. The District is planning on conducting an independent cybersecurity gap analysis as recommended by the National Institute of Standards and Technology (NIST). We noted that the District continues to ensure that the latest virus updates, firewall protection, and software patches are implemented to ensure access to the District's network is optimally safeguarded. The District continues to provide training to staff and students to ensure access and use of the District IT resources are appropriately controlled. In addition, we noted the District's processes to utilize software applications comply with Education Law § 2-d. If any additional changes occur during the fiscal year, we will review those changes to determine the impact on our risk assessment.

4. Review of External Audit Management Letter:

We have reviewed the management letter for the year ended June 30, 2023 from 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. There were no new management letter comments for the 2022-2023 fiscal year. The District should be commended. 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.

5. Review of Claims Auditor Reports:

We have been reviewing, and will continue to review, the monthly claims auditor reports. Based on our understanding of the claims auditor’s processes, as well as reviewing the claims auditor’s findings, we do not note any additional risks. 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.

6. 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 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:

Based on our assessment and our meeting with District management as well as the audit committee, the area of focus for fiscal 2024 will be a review of the internal controls over use of District facilities. We will also provide training/best practices for the recording of deposits and disbursements for the extraclassroom activity funds.

The potential risks outlined in our risk assessment report performed during fiscal 2020 continue to be those areas of risk that the District should focus on. Below is an assessment of the District’s current control risk level for each area based on our current assessment as well as our focused area reviews and the District’s responses to any recommendations.

| Focused Areas Reviewed | Year Tested | Control Risk |
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| Information Technology | | |
| Access Permissions | 2015 | Moderate |
| IT Environment & nVision Permissions | 2018 | Moderate |
| IT Inventory | 2021 | Moderate |
| Personnel and Payroll | | |
| Days of Session | 2018 | Low |
| Human Resources Operations | 2018 | Low-Moderate |
| Payroll & HR | 2020 | Low-Moderate |
| Benefits | 2017, 2022 | Low-Moderate |
| Attendance | 2023 | Moderate |
| Special Education/Pupil Services | | |
| Special Education Revenues & Expenditures | 2019 | Moderate |
| Transportation | | |
| Transportation Operations | 2016 | Low-Moderate |


In addition to our audit testing, we followed up on the status of recommendations from prior internal audit reports issued to the Board through fiscal 2022 (see Attachment A). We continue to commend management for its proactive approach to implementing 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 in the District for their cooperation and professionalism during our updated risk assessment process.

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
Internal Auditors

ATTACHMENT A – STATUS OF RECOMMENDATIONS

REVIEW OF HUMAN RESOURCES (Fiscal 2018): 1 remaining prior year recommendation

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| <p><u>Recommendation:</u> We recommend the District implement a PAF, to document changes in employee status (i.e., position, location, and/or salary changes).</p> <p><u>Risk Level:</u> Moderate</p> | <p><u>Management’s Response:</u> Human Resources uses the personnel agenda as the formal process to communicate changes to payroll. As noted above, Human Resources uses the personnel agenda as the primary source of communicating changes in status to the various departments. As noted in the auditor’s recommendation, we will look to develop and implement a Personnel Action Form (PAF) to sort and categorize changes to the various departments with a sign-off to ensure completion.</p> | <p><u>Current Year Status:</u> The District has implemented SchoolFront, an onboarding application, which is used to memorialize all changes.</p> <p>This recommendation has been implemented.</p> <p><u>Current Risk Level:</u> Low-Moderate</p> |
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REVIEW OF SPECIAL EDUCATION REVENUES & EXPENDITURES (Fiscal 2019): 2 remaining prior year recommendations

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| <p><u>Recommendation #3:</u> To ensure the District is in compliance with State regulations, we recommend the District develop documented procedures to ensure each student receives all services listed on his or her IEP and that documentation be maintained in District files should those services not be provided. In addition, the District should ensure BOCES is communicating when services cannot be provided, so that the District can follow-up with the student’s family.</p> <p><u>Risk Level:</u> High</p> | <p><u>Management’s Response:</u> The District will develop written procedures for documenting services provided. Invitations to parent trainings will be used as documentation for implementation and scheduling of parent training.</p> | <p><u>Current Year Status:</u> Through discussions with the Assistant Superintendent of Special Education and Pupil Services, staff are documenting parent training in the related service log within Frontline IEP Direct as well as sending invitations through Outlook to the families for Parent Training and Counseling. This allows trainers to document whether the service was provided, the reason it could not be provided, if applicable, and the start and end time and date the service is provided.</p> <p>In addition, we noted BOCES sends the District letters noting students who are absent for 5 or more days as well as suspension letters. While BOCES is not utilizing the related service log, they will provide session notes upon request.</p> <p>This recommendation is being addressed.</p> <p><u>Current Risk Level:</u> Moderate</p> |
| <p><u>Recommendation #4:</u> To ensure that the District is maximizing revenue, we recommend that the District develop documented procedures to ensure all services provided to non-resident students are identified and billed, and if such services cannot be provided, the reasoning has been timely and adequately documented in the District’s files.</p> | <p><u>Management’s Response:</u> The District will include in the documented procedures, a staff member assigned to cross reference the invoices from the vendors to the District invoices prepared for the non-resident students to ensure that revenues are maximized.</p> | <p><u>Current Year Status:</u> The Account Clerk in PPS cross references all invoices. All non-resident students are now overseen by one special education director. In addition, the District is only utilizing one agency for their non-resident students.</p> <p>This recommendation has been implemented.</p> |

ATTACHMENT A – STATUS OF RECOMMENDATIONS

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| <u>Risk Level:</u> Moderate-High | | <u>Current Risk Level:</u> Low-Moderate |
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REVIEW OF PAYROLL AND HUMAN RESOURCES (Fiscal 2020): 1 remaining prior year recommendation

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| <p><u>Recommendation #2:</u> We recommend the District create formal documented procedures for the calculation of longevity, including what constitutes a break in service.</p> <p><u>Risk Level:</u> Moderate</p> | <p><u>Management’s Response:</u> The Business Office will work with the Human Resources department to document how anniversary dates are calculated to determine an employees’ years of service. The documentation will include what types of leaves affect an anniversary date, as well as which ones do not affect anniversary dates. The documentation will be broken down by employee group i.e., Teachers, CSEA Clerical staff, etc. and will include details as to whether one day off without pay affects seniority etc.</p> | <p><u>Current Year Status:</u> The District is in the process of creating formal documented procedures for the calculation of longevity.</p> <p>This recommendation is being addressed.</p> <p><u>Current Risk Level:</u> Low</p> |
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REVIEW OF INFORMATION TECHNOLOGY AND PPSI (Fiscal 2021)

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| <p><u>Recommendation#1:</u> We recommend the District create formal written procedures related to the tracking of inventory and ensure all staff involved in inventory management be knowledgeable of the procedures. Furthermore, we recommend that District staff who are responsible for inputting and updating IT inventory records are formally trained.</p> <p><u>Risk Level:</u> Moderate-High</p> | <p><u>Management’s Response:</u> The District has purchased over 8,000 devices during the past fifteen months. Due to the increase of devices that are mobile (student/teacher laptops), the District will update inventory methods to prevent loss and misappropriation of assets. The District is currently working on formal procedures for entering, managing, and reconciling inventory. We expect the updated procedures, along with the training of our Computer Aides and Network & Systems Technician, to be completed by the end of the 2021-2022 fiscal year. Training will be conducted by the Administrator of Technology initially; but the Network & Systems Technician will be responsible for future training as well as enforcing the updated procedures.</p> <p><u>Planned completion date:</u> June 30,2022.</p> | <p><u>Current Year Status:</u> The District has approximately 7500 students and almost 2000 employees and have been addressing the inventory verification as best as they can. We noted that the District has documented procedures and has added the procedures to their department manual. In addition, the District hired a technician to handle the review of the inventory. Furthermore, the District is now conducting periodic sample inventories and noting any discrepancies to the School Business Administrator.</p> <p>This recommendation has been addressed.</p> <p><u>Current Risk Level:</u> Moderate</p> |
| <p><u>Recommendation #2:</u> As noted in issue #1, we recommend the District develop formal written procedures for utilizing the software FreshWorks for tracking inventory. Specifically, the procedures should address how inventory information is added to and updated in FreshWorks.</p> | <p><u>Management’s Response:</u> The District has hired and upgraded personnel to assist with the management of the increased number of technology items. In July and August 2021, eleven part-time Computer Aide positions were converted to full time employees and the District hired a</p> | <p>See #1.</p> |

ATTACHMENT A – STATUS OF RECOMMENDATIONS

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| <p>Periodic physical inventory assessments should be performed to ensure the inventory records are complete and accurate. Lastly, users should be restricted from moving devices from their assigned location.</p> <p>Risk Level: Moderate-High</p> | <p>new Network & Systems Technician. The Computer Aides are directly responsible for managing the inventory of technology items within their assigned building. The newly hired Network & Systems Technician will assist in the management and deployment of student 1:1 devices along with managing the District-wide inventory in collaboration with building level Computer Aides. Updated procedures are being developed and will be shared with all Technology Department employees. The Business Office Reference Guide includes information that reiterates the importance of the technology inventory and the movement of any associated devices, specifically, any such movement cannot happen without first discussing them with the Administrator of Technology. During the 2021-2022 school year, a complete inventory reconciliation will take place to verify what is stored in our asset management system.</p> <p>Planned completion date: June 30,2022.</p> | |
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REVIEW OF BENEFITS (Fiscal 2022)

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| <p>Recommendation#1: We recommend the District reimburse Medicare Part B premiums on an annual basis based upon the amount listed on the relevant SSA-1099 form. This form is a tax form that indicates what amount was paid in the prior calendar year. The implementation of such a practice would eliminate the need for variance calculations and reduce administrative work as well as the risk of issuing incorrect payments.</p> <p>In addition, we recommend the District discontinue the practice of requiring submission of an Annual Re-certification form as the Initial Certification form is sufficient to document the retiree and his/her spouse or dependent’s certification that reimbursement for Medicare Part B premiums is not being received from another source.</p> <p>Lastly, we recommend the District maintain Medicare Part B reimbursement support in electronic format (e.g., nVision attachment) to reduce the risk of loss or damage.</p> | <p>Management’s Response: The District has prepared a plan to transition to an annual Medicare Part B reimbursement for our retirees. This will entail requiring retirees to submit form SSA-1099 in order to provide the payment. The first SSA-1099 form will be due in January 2024 in order for a retiree to receive payment for the 4th quarter of 2023. For 2024, The District will reimburse for Medicare Part B semi-annually with the second half paid in March 2025 upon receipt of the SSA-1099 for 2024, and for calendar year 2025, the District will reimburse Medicare part B premiums in March 2026 upon receipt of the 2025 SSA-1099 form. The District will stop requiring submission of the annual re-certification form beginning with the 2023 calendar year Medicare Part B reimbursement process. The District will also assess maintaining the Medicare Part B reimbursement support electronically.</p> <p>Planned completion date: March 31, 2026</p> | <p>Current Year Status: We noted that the District has prepared a plan to transition to an annual reimbursement and has notified the retirees. In addition, we noted the District has modified its annual recertification requirements. Lastly, we noted the District will be assessing maintaining support electronically.</p> <p>The recommendations are in progress.</p> <p>Current Risk Level: Moderate</p> |
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ATTACHMENT A – STATUS OF RECOMMENDATIONS

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| <p><u>Risk Level:</u> Moderate</p> | | |
| <p>Recommendation #2: As stated in recommendation 1, we recommend the District discontinue the practice of an Annual Re-certification form. We recommend the District obtain the Form SSA-1099. The implementation of such a practice would eliminate the need for variance calculations and reduce administrative work and the potential for incorrect payments. In addition, we recommend the District maintain Medicare Part B reimbursement support in electronic format (e.g., nVision attachment) to reduce the risk of loss or damage.</p> <p><u>Risk Level:</u> Moderate</p> | <p><u>Management’s Response:</u> The District discontinued the submission of the annual re-certification form beginning with the 2023 Medicare Part B reimbursement and will transition to an annual reimbursement method requiring the SSA-1099 for reimbursement.</p> <p><u>Planned completion date:</u> January 30, 2025</p> | <p><u>Current Year Status:</u> We confirmed the District discontinued the submission of the annual recertification as they will be transitioning to an annual reimbursement.</p> <p>The recommendations are in progress.</p> <p><u>Current Risk Level:</u> Moderate</p> |