

Scarsdale Union Free School District
Risk Assessment Update Report
November 21, 2012

Risk Assessment Update Report

To the Board of Education and Audit Committee
Scarsdale Union Free School District
Scarsdale, New York

We have performed the annual risk assessment update of Scarsdale Union Free School District (District) as required by Chapter 263 of the Laws of New York, 2005 and as per our agreement of August 15, 2011.

This engagement is in accordance with auditing standards generally accepted in the United States of America and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have also considered the guidelines promulgated by the New York State Education Department in connection with such risk assessments.

Specifically, we performed the following:

- Developed an understanding of the critical business processes of the District. These critical business processes included but were not limited to:
 - Governance and planning
 - Accounting and reporting
 - Revenue and cash management
 - Payroll and related benefits
 - Purchasing and related expenditures
 - Facilities and equipment
 - Student services
 - Student related data
 - Information technology
- Identified the key risks based on our understanding of these business processes.
- Identified the stated controls that are currently in place to address those risks.

These procedures were accomplished through interviewing District management and accounting and other departmental personnel to determine the flow of accounting information and controls placed in operation. The scope of our engagement did not include testing the operating effectiveness of such controls.

Our procedures were not designed to express an opinion on the internal controls of the District, and we do not express such an opinion. Additionally, because of inherent limitations of any internal control, errors or fraud may occur and not be prevented or detected by internal controls. Also, projections of an evaluation of the accounting system and controls to future periods are subject to the risk that procedures may become inadequate because of changed conditions.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our engagement.

This report is intended solely for the use and information of the Board of Education and its Audit Committee and the management of the Scarsdale Union Free School District, and is not intended to be and should not be used by anyone other than these specified parties.

Cullen & Danowski, LLP

November 21, 2012

SCARSDALE UNION FREE SCHOOL DISTRICT

Introduction

November 21, 2012

Chapter 263 of the Laws of New York, 2005 requires all districts to create an internal audit function. The creation of this function requires districts to engage either a qualified audit firm or individual to make an initial risk assessment of the design of the district's internal controls; annually update this assessment; and, periodically test these controls for operational effectiveness and efficiency. This report addresses the second requirement, which is an annual risk assessment update.

Internal controls are the checks and balances over the various processes or functions that comprise the operations of a district. One key element in any internal control system is the concept of **segregation of duties**. This concept ensures that one person cannot execute a transaction without at least one other individual checking his or her work. Of course, where segregation of duties is not feasible, the district can employ compensating controls.

Nevertheless, there are some important concepts that should be understood when reviewing internal controls. These concepts are:

- An internal control system is designed to provide reasonable but not absolute assurance in safeguarding the assets of the district.
- The concept of reasonable assurance recognizes that the cost of the internal control should not exceed the benefits derived.
- There are inherent limitations that should be recognized in considering the potential effectiveness of any internal control system, e.g., errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. More importantly, it is **collusion** that poses the greatest threat to any internal control system. If two employees collude in order to circumvent the controls set up by the district, they could perpetrate a fraud.

The initial risk assessment required the internal auditor to obtain an understanding of both the inherent and control risks associated with the various functions within the District. The risk assessment update requires the internal auditor to identify the changes in procedures, policies, personnel, and systems that may have an impact on these risks and possibly alter the initial risk assessment's level of control risk.

Control risk measures the adequacy of internal controls designed to mitigate the inherent risk within the process. In this engagement, we have assessed the control risk based upon our interview process. The testing of the controls, which is performed during the detailed testwork, could support the lowering of the initial control risk assessment associated with individual processes and sub-functions.

We have organized this report into the following four sections:

The first section is a risk assessment table. In this table, we identify the processes or functions that we have reviewed. This table includes our assessment of the control risk associated with each process. There are two control risk columns to reflect the prior year risk assessment level and the current year risk assessment level based on the results of the risk assessment update as well as the detailed testwork performed for selected processes. **Since the testing of controls has not been done for all processes, it is important to note that this table should not be viewed as the final assessment of the District's control environment.** The Risk Assessment Table also includes our suggestions for processes to be tested during the coming year. However, the decision of which processes to review in detail is at the discretion of the Audit Committee.

The second section includes the current observations and recommendations based on new findings identified during this risk assessment update. These are categorized based upon the areas of our audit program similar to the prior risk assessment report and these findings have been considered in the assessment of the level of control risk.

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The third section contains the current status of the observations and recommendations that are still open for areas of potential improvement in the District's internal controls or operations included in the following reports:

<i>Report Type</i>	<i>Issue Date</i>	<i>Area(s)</i>
Risk Assessment	June 6, 2011	District-wide
Agreed-Upon Procedures	July 15, 2010	Cash Receipts at Schools

These results have been considered in the assessment of the level of control risk.

The fourth section contains the observations and recommendations included in the prior risk assessment and/or agreed-upon procedures reports that are now considered closed. The fact that these items have been implemented or resolved was considered in the assessment of the level of control risk.

Some of the recommendations may require a reassignment of duties and/or an addition to Business Office personnel. However, any enhancement of controls should be done after a careful cost-benefit analysis.

Corrective Action Plan:

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan, approved by the board of education, must be filed within 90 days of issuance with the New York State Education Department.

The District should send the Corrective Action Plan (CAP) along with the respective Internal Audit Report via mail or email to the addresses listed below. The report needs to accompany the CAP to allow the Office of Audit Services (OAS) to reconcile the District's CAP to the report to ensure all items have been addressed (i.e., CAP is not missing any recommendations).

Submission Information – Mail & Email

New York State Education Department (NYSED)
Office of Audit Services (OAS)
89 Washington Avenue
Room 524 EB
Albany, NY 12234
Fsanda133@mail.nysed.gov

Contact

Mr. John Cushin
(518) 474-5928

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Risk Assessment Table
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(L=Low, M=Moderate, H=High) *

Business Process Area	**Date of Detail Testing	Control Risk		Proposed Detail Testing
		Prior Year	Current Year	
Governance and Planning				
Governance Environment		L	L	
Control Environment		M	M	
Strategic Planning		M	M	
Budget Development		M	M	
Budget Administration		M	M	
Accounting and Reporting				
Assessing Financial Condition		L	L	
Financial Accounting and Reporting		M	M	
Auditing		L	L	
Financial Oversight		L	L	
Fund Balance Management		M	M	
Revenue and Cash Management				
Real Property Tax		L	L	
State Aid		M	M	
Medicaid		M	M	
Out of District Tuition		M	M	
Use of Facilities		L	L	
Donations		M	M	
Collection & Posting of Receipts	07/15/10	M	M	
Cash Management	07/15/10	M	M	
Investment Management		M	M	
Petty Cash		L	L	
Bank Reconciliations		M	M	
Grants and Special Education				
General Processing/Monitoring		M	M	
Grant Application		L	L	
Allowable Costs		M	M	
Cash Management		L	L	
Reporting and Monitoring		M	M	
Compliance		M	M	
Payroll, HR and Related Benefits				✓
Payments to Employees	05/14/08	L	L	
Allocation of Expenditures	05/14/08	L	L	
General Employee Administration	05/14/08	L	L	
Employee Benefit Administration		M	M	
Employee Attendance	05/14/08	L	L	
Hiring/Termination of Employees	05/14/08	L	L	
Time Clock System	04/18/12	M	M	

* The assessment of control risk is based on three levels of severity (low, moderate, high) related to the probability of a negative occurrence in the absence of controls designed to reduce the inherent risk within the respective process.

** Indicates the issuance date of an agreed-upon procedures report (AUP) for that area.

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(L=Low, M=Moderate, H=High)*

Business Process Area	**Date of Detail Testing	Control Risk		Proposed Detail Testing
		Prior Year	Current Year	
Purchasing and Related Expenditures				
PO System	06/14/09	M	L	
Payments Outside PO System		M	M	
Purchasing Process	06/14/09	M	L	
Allocation of Expenditures	06/14/09	L	L	
Payment Processing	06/14/09	M	L	
Travel and Conferences		M	M	
Credit Cards		M	M	
Facilities				
Facilities Maintenance		M	M	
Construction Planning		M	M	
Construction Monitoring		M	M	
Construction Completion		M	M	
Capital Assets				
Acquisition and Disposal		M	M	
Inventory		M	M	
School Environment				
Safety and Security***		H	H	
Student Transportation				
Fleet Maintenance		M	M	
Risk Management		M	M	
Personnel Compliance		M	M	
Facilities Maintenance and Security		M	M	
Food Service				
Federal and State Reimbursement	04/18/12	M	M	
Sales Cycle and System	04/18/12	M	M	
Inventory and Purchases	04/18/12	M	M	
Eligibility Verification	04/18/12	L	L	
Extraclassroom Activity Fund				
General		M	M	
Cash and Cash Receipts		M	M	
Expenditures and Purchasing		M	M	
Inventories		L	L	
Student Related Data				
Tracking Student Attendance		M	M	
Student Performance Data		M	M	
Information Technology				
Governance		M	M	
Network Security		M	M	
Financial Application Security		M	M	
Other Application Security		M	M	
Disaster Recovery		M	M	

* The assessment of control risk is based on three levels of severity (low, moderate, high) related to the probability of a negative occurrence in the absence of controls designed to reduce the inherent risk within the respective process.

** Indicates the issuance date of an agreed-upon procedures report (AUP) for that area.

*** The control risk level is high due to the security risk associated with an open campus.

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CURRENT OBSERVATIONS AND RECOMMENDATIONS

PAYROLL, PERSONNEL AND RELATED BENEFITS

CSI Software System – Payroll

We note that the District's new CSI Time Clock module utilizing the swipe card system in the Facilities Department has enhanced operational efficiency by eliminating duplication of efforts, streamlining processing, and strengthening internal controls. In addition, the new CSI Time Clock module has reduced the potential for manual errors since the module systematically calculates the employees' clock hours instead of manually adding the hours per the punch cards and manually entering the hours into the CSI financial system. It also has resulted in operational efficiencies by significantly reducing the number of time cards that the Payroll Clerk must data enter into the CSI financial system. However, there is opportunity for further improvement because the CSI Time Clock module is not being utilized for other employees.

We recommend that the District consider revising procedures with the other bargaining units that consist of hourly employees to require them to sign in and sign out each day, particularly the aides and bus drivers, since the process to calculate the hours for these employees is very labor intensive and has potential for errors. The implementation of having all hourly employees follow the same procedures as the Facilities employees, using the CSI Time Clock module and swipe cards, would result in additional significant operational efficiencies.

CSI Software System – Personnel

We found that the District began using the CSI system's salary schedule functionality during the beginning of the 2008-09 fiscal year to improve operational efficiencies and reduce redundancies. We recommended that the District continue efforts to utilize the full functionality of the CSI system, particularly the salary schedules and position controls within the Personnel module. The position controls maintains the headcount of the District staff that is set up in the CSI system and this systematically links with the salary schedules resulting in stronger controls and efficiencies. We found that the teachers have been set up in the position controls data fields; however, there has been minimal progress related to this initiative since fiscal 2009-10. We also note that the procedures related to managing the position controls in the CSI system related to teacher changes (e.g., moving buildings) requires improvement. In addition, we found that the procedures continue to be manually intensive although software exists to facilitate these processes.

We recommend that the District establish a plan to fully utilize the functionality of the position controls and salary schedules in the CSI financial system and complete the entry of all employees (e.g., aides, bus drivers, substitutes, clerical, custodians, secretaries, etc.) in the position controls data fields. We will assist the District with this initiative as part of the agreed-upon procedures engagement during the 2012-13 year.

Teacher Evaluations and Credits

We note that the District has formal procedures and maintains detailed records related to teacher evaluations and credits earned from appropriate courses. However, we found that these processes are manually intensive because the District does not utilize software to facilitate these activities, nor does the District utilize the built-in functionality provided by the CSI system. Good business practice and strong internal controls utilize technology to obtain efficiencies.

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We recommend that the District consider acquiring specialized software to assist with the administration of employee evaluations and teacher education and also consider utilizing the functions that are currently within the CSI system to manage these activities more efficiently, to reduce laborious tasks and to decrease potential manual errors. We understand that the District is researching the functionality of the CSI system related to staff evaluations.

FOOD SERVICE

Vendor Purchases – Personal Items

We found that there were deposits of cash submitted to the Business Office from the food services program related to reimbursements for personal items provided to staff by the vendors. The School Lunch Manager said that the staff periodically orders personal items to be included with the program deliveries to save money and mostly the vendors have a COD (cash on delivery) policy, so these transactions are handled directly between the employee and the vendor's driver. However, there were 7 times this school year when the vendor had to be paid by check, since there was no COD option. The receipts were deposited in the bank and recorded to food service program accounts 22860 301 000 (food) or 22860 302 000 (paper products), thus reducing the expenditures from these codes.

We recommend that the food service program discontinue the practice of combining business and personal activities. This is not acceptable because it raises concerns about inventory control and appropriateness of finances, which becomes more difficult when personal purchases are intermingled with program operations.

STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (OPEN ITEMS)

ACCOUNTING AND REPORTING

Extracurricular Activities – High School (HS)

Risk Assessment Update – 2010

We recommended that the District consider developing Board policies and regulations regarding HS team fundraising and financial activities, including a requirement that any overnight trips be Board approved since there is a connotation that it is a District function (e.g., students travel as a Scarsdale HS team) and legal counsel has suggested that the District ensure that the appropriate insurance is in place to cover these events. We also recommended that the District contact its legal counsel to determine if the Board is required to approve overnight or any other type of fieldtrips.

Risk Assessment Update – 2012

We note that the District still needs to implement this recommendation and understand that the District's insurance company wants the Board involved with the trips. We again recommend that the District consider developing a Board policy and regulation related to HS team fundraising and financial activities and consider including a requirement that any overnight trips be Board approved.

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REVENUE AND CASH MANAGEMENT

World Language Workbooks – Improve Controls

Agreed-Upon Procedures – 2010

We recommended that the District improve controls related to the world language workbooks at the HS as follows:

- Develop procedures to ensure the completeness and accuracy of the cash receipts and the timeliness of the deposits, especially since there is usually a significant amount of cash included with these deposits.
- Create a spreadsheet to track and monitor the workbooks, which should be used to support the cash receipts activities and would also establish a method for properly accounting for these items.
- Establish procedures that require the World Language Department to perform a reconciliation between the spreadsheet, the inventory of workbooks and the amount of cash receipts. This reconciliation documentation would be included with the deposits to the HS Bookkeeper.

Risk Assessment Update – 2012

We note that this recommendation has been partially implemented. We found that a process has been set up by the World Language Chairperson whereby each teacher prints out their class rosters from Infinite Campus and as the students pay for the workbooks the teacher marks that the student paid by cash or check. The teacher hands in the student rosters along with the funds collected. The Chairperson completes a Book Returns form and breaks down the cash and checks and totals the amount of the deposit for all of the teacher's classes. We recommend further strengthening controls over world language workbooks at the HS by having the Chairperson document on the Book Returns form the number of students who paid and the cost of the book, so that the HS Bookkeeper is able to reconcile the deposit amount to the supporting documentation submitted with the receipts.

Textbooks – Improve Controls

Agreed-Upon Procedures – 2010

We recommended that the District improve controls related to the textbooks at the HS as follows:

- Develop procedures to ensure the completeness and accuracy of the cash receipts and the timeliness of the deposits, especially since there is usually a significant amount of cash included with these deposits.
- Create a spreadsheet for each department to track and monitor the textbooks, which should be used to support the cash receipts activities and would also establish a method for properly accounting for these items.
- Establish procedures that require the respective departments to perform a reconciliation between the spreadsheet, the inventory of workbooks and the amount of cash receipts. This reconciliation documentation would be included with the deposits to the HS Bookkeeper.
- Determine the need for maintaining a “bank” at the Main Office in the HS and if the decision is to keep funds at the school to facilitate the refund process, we recommended establishing formal procedures to properly monitor, maintain, safeguard and account for these funds.

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Risk Assessment Update – 2012

We found that this recommendation has not been implemented, since the Secretary in the main office continues to handle the whole process by herself including processing cash refunds. We again recommend that the District eliminate the “bank” in the Main Office in the HS and require that refunds for lost textbooks be processed through the normal accounts payable process, including creating a purchase order (PO) for the vendor.

Student Exam Fees – Improve Controls

Agreed-Upon Procedures – 2010

We recommended that the District improve controls related to the student exam fees at the HS as follows:

- Establish procedures to appropriately support the payments to proctors that are paid out of these fees. For example, include this information in the next bargaining unit contract and/or proper Board approval to properly support the expenditure and define the rate of pay.
- Create a standard authorization form and implement formal procedures to require the preparation, proper approval and submission of this form to support the proctor payments.
- Create a spreadsheet to track and monitor the student exams, which should be used to support the fees collected from the students.
- Establish procedures that require the Guidance Department to perform a reconciliation between the spreadsheet, the list of students taking the exams and the amount of cash receipts. This reconciliation documentation would be included with the deposits to the HS Bookkeeper.

Risk Assessment Update – 2012

We note that no changes have been made to procedures for payments to proctors which are paid out of exam fees. In addition, we found that there is no Board approval

We were informed that the District implemented procedures to open the parent portal in Infinite Campus to allow online payments for student PSAT exams and this will be expanded to include the AP exams during the 2012-13 year.

Extraclassroom Activities (Cash Receipts) – Improve Controls

Agreed-Upon Procedures – 2010

We recommended that the District improve controls related to the cash receipts procedures in the extraclassroom activities as follows:

- Create standard documents and develop written, formal procedures to be used at the HS and the Middle School (MS) to establish consistency and commonality. We recommended that the MS use the deposit form that is in place at the HS, which includes a section for the student treasurer. The procedures would require the completion of the Statement of Income with each receipt to support the amount of the cash receipts deposited with the central treasurers.
- Create a list of defined duties for all persons with responsibilities related to the cash receipts activities of the clubs.

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Risk Assessment Update – 2012

We found the following related to each item above:

- *The MS has not implemented the use of the HS deposit form. We also understand that during many MS fundraisers, parents collect the money during these events and give the receipts to the Faculty Advisor at the end of the event. However, the Faculty Advisor does not count the money collected and submits the funds to the MS Central Treasurer, who is responsible to count the money and complete the deposit form. The MS Central Treasurer has no way of assuring that all money collected was deposited.*
- *The District still needs to create a list of defined duties for all persons with responsibilities related to the cash receipts activities of the clubs.*

EXTRACLASSROOM ACTIVITY FUND

Middle School – Student Officers

Risk Assessment Update – 2010

We recommended that the District implement procedures to ensure that MS students were actively participating and handling the cash receipts and disbursement activities including the student treasurer preparing and signing the deposit and payment request forms. This was required to be compliant with CR §172 and Finance Pamphlet 2. If the MS was unable to involve students related to the club activities, then we recommended that the activities be handled by the Parent Teacher Association (PTA) or cease these activities at the MS. We were informed that the MS Principal did not believe that students in the MS are capable of handling these duties.

Risk Assessment Update – 2012

We note that this has not been implemented. We understand that the MS Administration is reluctant to hand over responsibility for club-related finances to student members. This has been discussed at length with the Board and the MS Principal, and it has been decided that the responsibility will not be transferred to students. We recommend that the District reconsider the decision and implement procedures to ensure that MS students are actively participating and handling the cash receipts and disbursement activities, including the student treasurer preparing and signing the deposit and payment request forms. It should be noted that without student involvement, some educational opportunity is lost and there is an internal control weakness that could result in loss of funds.

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STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (CLOSED ITEMS)

BOARD OVERSIGHT

Written, Formal Procedures and Board Policies

Initial Risk Assessment – 2007

We recommended that the District establish Board-approved policies or procedures for all financial operations. In addition, the District should have considered updating the Budget Transfers Policy 6150 to include details regarding the type of transfers (i.e., within funds, between funds, contingent and non-contingent, object versus functional, etc.), as well as establishing a specific dollar associated with each type of transfer.

Risk Assessment Update – 2008

The District planned on reviewing and updating the Budget Transfers Policy during the 2008-09 fiscal year. The Policy stated that, all transfers over \$25,000 required the Board's approval. The administration planned on having discussions with the Board about the possibility of increasing the threshold for budget transfers that were within the same object code. With respect to establishing written, formal procedures, we were informed that the administration was aware of the importance of documenting the procedures and reviewing all of the Board Policies to ensure the Policies are up-to-date.

Risk Assessment Update – 2009

We noted that the District was developing a process to perform ongoing, systematic reviews of the Board policies. We worked with the Business Office and Personnel Department employees to develop narratives related to four key areas (i.e., personnel, payroll, purchasing and cash disbursements). These documents were provided to the District during our engagement to be used as documentation of the District's internal control system and will help audit efficiencies. We recommended that the District continue to develop formal, written procedures within the other departments or areas.

Risk Assessment Update – 2010 (This item was closed with respect to policies)

We noted that the Business Office performs reviews of the financially related Board policies annually. In addition, we found that the District Clerk has standard procedures to monitor legislative changes that may require the District to update existing or create new Board policies. We also found that the employees in the Business Office and Personnel Department have continued documenting their responsibilities; however, the District should continue to document the roles and responsibilities of employees and develop formal, written procedures within the other departments or areas including facilities, transportation, food services, extraclassroom activities, and special education. We worked with the Business Office and Personnel Department employees to update the narratives related to four key areas (i.e., personnel, payroll, purchasing and cash disbursements). We recommended that these narratives be revised as the District completes its projects that impact these functions (e.g., time clocks, online requisitioning, identification badges, etc.)

We again recommended that the District continue developing formal, written procedures related to key tasks performed by the employees. For example, develop written, formal procedures related to the purchasing activities in the new Requisition Manager module of the SMARTS system using document scanning and to enforce the thresholds for quotes, bids and RFPs.

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Risk Assessment Update – 2012 (This item is now closed)

We note that the District has begun the process of documenting procedures for all the main processes. In addition, we will assist the District as part of the agreed-upon procedures engagement during the 2012-13 year.

REVENUE AND CASH MANAGEMENT

Proper Recording – Cash Receipts at Schools

Agreed-Upon Procedures – 2010

We recommended that the District implement procedures to record the building-level cash receipts as revenue instead of posting these items against a budget account in the general fund. Reporting these activities as revenue in the general fund would be deemed more appropriate and more compliant with generally accepted accounting principles.

Risk Assessment Update – 2012 (This item is now closed)

We understand that the District has decided not to implement this recommendation. We have been informed that the District has always recorded building-level receipts as an offset to the expenditure and prefers to continue recording these activities in this way instead of posting these receipts as revenue.

Milk Program – Improve Controls

Agreed-Upon Procedures – 2010

We recommended that the District improve controls related to the milk program as follows:

- Establish standard practices to strengthen procedures related to the milk program funds that are collected at 4 of the District's elementary schools. These procedures would include the maintenance of a detailed list of students participating in the program and documenting the reconciliation of this list to the cash receipts submitted to the Business Office. This supporting documentation would accompany the standard building-level cash receipts form (reference recommendation number 3 above) to ensure the completeness and accuracy of the deposit.
- Develop procedures that require the employee responsible for handling the milk program at each elementary school to ensure the reasonableness of the payments to the milk vendor based on the number of students participating in the milk program.
- Establish a standard District-wide rate related to the milk program's annual costs, so the students would be charged the same fee regardless of which elementary school they attend.
- Develop procedures to have all of the schools use a blanket PO for the vendor of the milk program to enhance operational efficiencies.

Risk Assessment Update – 2012 (This item is now closed)

We found that the District plans to standardize pricing for the milk program across the schools and that blanket purchase orders to vendors are being used. We also note that the new deposit form requires information on the number of students buying milk. Additionally, the District has established procedures to maintain a detailed student list in each building instead of being submitted to the Business Office and this list is annotated for payments received. In addition, we understand that the District has decided not to implement the recommendation to require a

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reconciliation of the student list to the milk order, as it believes it's not an efficient use of time given the secretarial staffing levels in the elementary schools.

Develop Written Procedures – Cash Receipts at Schools

Agreed-Upon Procedures – 2010

We recommended that the District develop formal, written procedures and guidelines to standardize the practices at each school; to ensure funds are deposited to the main office at the schools and to the Business Office in a timely manner; to safeguard the cash receipts; to ensure the completeness and accuracy of the deposits; and to retain the supporting documentation at the main office of the schools for a minimum of 6 years. We recommended that the District develop this type of formal documentation related to all building-level cash receipts including, but not limited to, field trips, milk program, world language workbooks, textbooks, student exam fees, and extraclassroom activities.

Risk Assessment Update – 2012 (This item is now closed)

We found that the District has implemented a standard deposit form, which is being used at all schools to document any funds collected at the schools and forwarded to the Business Office for deposit. In addition, written procedures were supplied to the schools that detail the cash receipts process including the Secretary in the Main Office verifying the deposit amount recorded on the deposit form and sending a confirming email to the Secretary to the Assistant Superintendent for Business. We also note that the District is in the process of using online payment process via the student management system (Infinite Campus) for collecting payments from parents.

Supporting Documentation – Cash Receipts at Schools

Agreed-Upon Procedures – 2010

We recommended that the District implement procedures to strengthen controls related to the completeness of cash receipts by requiring documentation that supports the receipts (e.g., student listing for a field trip, list of students participating in the milk program, students enrolled in a regents review class, etc.) submitted to the main office at the schools.

Risk Assessment Update – 2012 (This item is now closed)

We note that the individual who is collecting the funds is required to maintain proper documentation related to the receipts (i.e., lists of students attending a field trip are still maintained with the teacher). At the HS the bookkeeper works with the teacher running the field trip to determine the cost per student and ensures that enough money is sent for deposit to cover the cost of the trip. At the MS, the teacher fills out a form documenting the amount collected and the cost per student and sends to the Secretary in the Main Office. She then ensures that sufficient funds have been collected to cover the cost of the field trip (i.e., cost of admittance to the venue and any transportation costs, etc.)

Develop Standard Forms – Cash Receipts at Schools

Agreed-Upon Procedures – 2010

We recommended that the District create a standard district-wide deposit form and establish formal procedures that require the use of this form for all building-level cash receipts. We suggested that the form include sections for the preparer, the approver, the denomination of cash and a count of the number and amount of the checks.

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Risk Assessment Update – 2012 (This item is now closed)

We found that a District-wide standard deposit form has been prepared and is being used by all schools. The form has been revised to include a section to record cash and checks and the budget codes. There is also a section related to field trips to record the teacher running the event, the date of the trip, the number of students and the cost per student. However, the form is prepared by the Secretary in the main office of each school, rather than the person initially collecting the funds. We again note that the District is in the process of using an online payment process via the student management system (Infinite Campus) for collecting payments from parents.

Surplus Funds – Standardize Practice

Agreed-Upon Procedures – 2010

We recommended that the District establish a standard district-wide practice related to the handling of surplus funds that result from some of the building-level receipts activities (e.g., field trips, milk program, student exam fees) to ensure proper oversight and appropriate spending of these funds.

Risk Assessment Update – 2012 (This item is now closed)

We note that the District has decided not to implement this recommendation. The District believes that this decision process should remain with each individual building. In addition, the District believes shifting the responsibility for accounting for these deposits in the various accounts (and the related disbursements) to the Business Office, would require additional staff to handle this work. We understand that the Business Office will inform principals that if the milk program is run through the school, the surpluses are no longer available for discretionary spending or to be used to reduce costs for the following year. The District will standardize the appropriate disposition of these funds at the end of each year.

Library Funds – Timely Deposits

Agreed-Upon Procedures – 2010

We recommended that the District implement procedures to require all library funds (i.e., lost library books, late fees) that are collected at all schools, to be deposited timely to the main office at the schools and then submitted to the Business Office. These funds would be handled in the same manner as all other building-level receipts.

Risk Assessment Update – 2012 (This item is now closed)

We have been informed that the Business Office informed the Quaker Ridge School and the MS that library receipts are to be remitted to the Business Office.

Increase Checks

Agreed-Upon Procedures – 2010

We recommended that the District establish procedures to request that building-level cash receipts be received in the form of checks to reduce the amount of cash received at the schools. This would improve internal controls since cash has a much higher risk factor as compared to checks.

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Risk Assessment Update – 2012 (This item is now closed)

We understand that the District believes it is not practical to require that all funds received at the buildings be submitted in the form of checks when amounts collected are too small to eliminate cash. The District already has an online system for taking in cafeteria funds and they anticipate opening the parent portal to other types of cash receipts in the 2012-13 school year, which will be the most practical and cost-effective means of improving control.

Fieldtrips – Improve Controls

Agreed-Upon Procedures – 2010

We recommended that the District improve controls related to the field trips as follows:

- Implement procedures to strengthen the field trip money that is deposited to the main office at the schools. The deposits would include a spreadsheet or other document that includes the names of the students participating in the event, the amount collected from each student, and the total funds collected. This document would accompany the standard building-level cash receipts form (reference recommendation number 3 above) as supporting documentation to ensure the completeness and accuracy of the deposit.
- Establish procedures to ensure that the funds are deposited to the main office at the schools and preferably, to the Business Office prior to the date of the field trip.
- Establish procedures that require the employee responsible for handling the field trip to document the calculations to determine the cost per student to ensure the revenues will exceed the costs.

Risk Assessment Update – 2012 (This item is now closed)

We found that this has been partially implemented. We were informed that all schools are using the Deposit form distributed by the Business Office. The documentation continues to remain with the individual who is collecting the funds (i.e., lists of students attending a field trip are still maintained with the teacher). The HS Bookkeeper works with the teacher running the field trip to determine the cost per student and ensures that enough money is collected for deposit to cover the cost of the trip. At the MS, the teacher determines the cost of the field trip, calculates the cost per student, fills out a form documenting the amount collected for the field trip and sends the form and the deposit to the MS Secretary in the main office. The MS Secretary ensures that sufficient funds have been collected to cover the cost of the field trip (i.e., cost of admittance to the venue and any transportation costs, etc.)

We note that the District decided not to implement the recommendation to require all field trip deposits prior to the trip taking place due to preferring to ensure that the accounting for the trip is complete, rather than sending piecemeal deposits. However, we were informed that principals remind staff that they are responsible for the money as long as they keep it in their possession and that they will be held responsible in the event of loss or theft. It should again be noted that the District is in the process of using online payment process via the student management system (Infinite Campus) for collecting payments from parents, which will facilitate improvement in this area.

Extraclassroom Activities (Cash Receipts) – Improve Controls

Agreed-Upon Procedures – 2010

We recommended that the District improve controls related to the cash receipts procedures in the extraclassroom activities as follows:

- Develop procedures to ensure that the clubs are immediately depositing the funds with the central treasurers to reduce the risk of loss or misappropriation of funds.

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- Develop procedures to ensure that the MS students are actively participating and handling the cash receipts activities including the student treasurer preparing and signing the deposit form.
- Establish a formal approval process for fundraising events. In addition, we suggest creating a standard fundraising event form to formally document the details and proper approvals of these events. The club advisors and central treasurers should maintain a schedule (i.e., Excel spreadsheet) of all fundraiser events by club and include the event date so the central treasurers can ensure the timeliness of the respective receipts. In addition, the schedule should contain a column for tracking the date and name of the person who authorized the fundraising event (i.e., HS Principal).

Risk Assessment Update – 2012 (This item is now closed)

We found the following related to each item above:

- *The MS and HS principals reminded faculty advisors to remit proceeds from student activities to the central treasurers on a timely basis and that they will be held responsible if the funds are lost while in their possession.*
- *The MS Administration is reluctant to hand over responsibility of club-related finances to student members. This has been discussed at length with the Board and the principal, and it has been decided that the responsibility will not be transferred to students.*
- *The process of obtaining the principal's prior approval for fundraising activities is in place at the MS. At the HS, the major events are approved by the principal and placed on the District calendar. The remaining events are approved by S.A.C. (Scarsdale Athletic Club) and are placed on the District calendar. The District has decided not to require this approval at all buildings, but rather leave it to the discretion of the building principals. The HS Central Treasurer is aware of major fundraising events, but others are ongoing and placing all events on the calendar is not always possible.*

PURCHASING AND RELATED EXPENDITURES

Bids and Quotes

Risk Assessment – 2008

During our engagement, we noted that the District was not in compliance with the Board Purchasing Policy and General Municipal Law (GML) §103(1) related to transportation services. There was one vendor providing service for a special needs student and one vendor providing service for field trips with payments totaling \$6,650 and \$45,500, respectively. However, we were informed that there were no written quotes for the first vendor and no bid for the second vendor in order to comply with the Board Purchasing Policy and GML §103(1), respectively. We recommended that the District establish procedures to ensure that all purchases are in compliance with the Board Purchasing Policy and GML §103(1) related to transportation services provided by outside vendors.

Risk Assessment Update – 2009

We noted that the District obtained written quotes in compliance with the Board Purchasing Policy related to selecting a transportation vendor for a special needs student. However, there was no bid for the transportation services related to field trips where the bookings were handled at the building level. We understood that the Business Office ensured that the transportation service providers were reputable and were compliant with license requirements. We were informed that the District obtains verbal or written quotes from the bus companies to check for the best price on a trip-by-trip basis and the Purchasing Agent stated that this is difficult to bid since the District does not know the exact trips to be taken during the year. Since the annual cost for these services exceeded \$10,000, we recommended that the District consider setting up a bid on the

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following basis: cost per mile within a certain radius and using an annual estimate of field trips, to comply with GML §103(1).

Risk Assessment Update – 2010

We understood that the District attempted to use its own buses for more field trips and obtained price quotes for transportation related to the Ski Team's trips. Although the District still obtained verbal or written quotes from the bus companies, these services were still not bid as required. We again recommended that the District consider setting up a bid on the following basis: cost per mile within a certain radius and using an annual estimate of field trips, to comply with GML §103(1).

Risk Assessment Update – 2012 (This item is now closed)

We were informed that the District has traditionally allowed each teacher or principal to make his/her own arrangements for field trip transportation, provided the teacher chooses a contractor from a list that has been checked for appropriate licensing and excellent safety records. While they are encouraged to compare prices, this has not been required. We understand that the District is considering setting up a bid on the following basis: cost per mile within a certain radius and using an annual estimate of field trips, to comply with GML §103(1).

FACILITIES

Fuel Usage

Risk Assessment Update – 2010

We recommended that the District implement procedures to instruct and routinely remind the employees to enter the appropriate data into the gas system when obtaining fuel (i.e., exact mileage amount and appropriate vehicle number). In addition, we recommended that the District consider establishing formal consequences and actions when employees do not comply with regulations and/or formal procedures to facilitate the enforcement of these requirements.

Risk Assessment Update – 2012 (This item is now closed)

We note that the District has implemented this recommendation. The District is monitoring this closely and compliance has improved. The Director of Transportation sends periodic reminders to offenders. In addition, the Village has installed video cameras at the location to ensure that gas is pumped only into authorized vehicles. These cameras are operational and monitored daily.

CAPITAL ASSETS

Cameras

Risk Assessment Update – 2010

We recommended that the District develop written, formal procedures to properly secure, safeguard, and track all cameras, which includes a sign-in and sign-out process to maintain accountability of each camera. We also recommended that the District consider centralizing the management of these assets at each school building and assign a specific person at each location as the custodian of the cameras. In addition, these assets would be included as part of the District's physical inventory strategy.

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Risk Assessment Update – 2012 (This item is now closed)

We found that the District has established procedures, just not written. A meeting was held with the computer teachers to discuss this item and develop procedures to track the cameras which include maintaining lists. The missing cameras were located and are now logged into the Follett system to track these items. In addition, during each spring the Accountant meets with the Technology Director and his computer teachers to review the inventory findings. This year's meeting will focus on the handling and securing of the cameras to determine if procedures have improved. We understand that the Accountant has developed several suggestions to be discussed with the teachers related to this process.

INFORMATION TECHNOLOGY

Online Payments

Risk Assessment Update – 2010

We recommended that the District consider utilizing an online system to process credit card payments to the schools related to other fee based activities at the schools (e.g., drivers education, exam fees, student exam fees, [i.e., SAT, AP and PSAT tests], lost world language workbooks, lost textbooks, field trips, milk money, etc.). This reduces the risk of handling funds at the schools and the Administration Office, as well as, enhances operational efficiencies (i.e., timely payments, guaranteed funds, less processing time). We understood that the District was looking into the capabilities and costs of using the student management system (i.e., Infinite Campus) to process online payments.

Risk Assessment Update – 2012 (This is now closed)

We note that the District has added the online payment functionality to the student management system (i.e., Infinite Campus). There was a kickoff meeting related to the finance and payment components of the system. The plan is to go live with the PSAT fees to be paid by parents online starting in August 2012. Vanco is the credit card provider and the set up work is completed with test transactions upcoming. The next phase is for the District to develop the communications to inform the parents about using this technology. The decision was to pilot a select type of activity (PSAT fees) to make sure the people, process and systems are working then roll out for other types of transactions (e.g., SAT fees and AP fees).

PURCHASING AND RELATED EXPENDITURES

Consultant Contracts

Agreed-Upon Procedures – 2009

We recommended that the District develop written, formal procedures related to consultant contracts that included the establishment of thresholds for required approvals by specific District administrators (e.g., under \$10,000) and the Board (e.g., \$10,000 or more). In addition, we recommended that the District establish standardized consultant contracts with common language in collaboration with legal counsel.

Risk Assessment Update – 2010

We noted that the Business Office had provided all departments with a simplified contract form that identifies the purpose of the consultancy, the consultant's rate of pay, and dates of service. We understood that these were signed by the department head and the Assistant Superintendent for Business and attached to the

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purchase orders. We were informed that no payment was issued unless the signed contract was provided. However, the Board was still not required to approve consultant contracts. We again recommended that the District establish formal guidelines for Board approval of consultant contracts (e.g., \$10,000 or more).

Risk Assessment Update – 2012 (This item is now closed)

We were informed that the District has developed and is now using a standardized form for consultants that identifies the service to be provided and the daily or hourly rate of pay. All such contracts are signed by the department head and the Assistant Superintendent for Business. In addition, the Assistant Superintendent for Business brings contracts over \$20,000 related to the Business Office (lawyers, architects, engineers, special education, doctors) to the Board for review and approval. In other areas Board approval is requested for contracts above the bid threshold of \$20,000. However, the District does not intend to have the Board approve all consultant contracts.

PAYROLL, PERSONNEL AND RELATED BENEFITS

Employees' Retirement Systems (ERS) and Teachers' Retirement System (TRS)

Risk Assessment Update – 2009

We recommended that the Payroll Department create an Excel spreadsheet to list at least the employees that require adjustments each month (e.g., hourly employees), and to include the daily number of hours along with a formula to calculate the number of days within the spreadsheet so only the total hours need to be entered, with regards to reporting ERS and TRS data to the state. The spreadsheet would facilitate the review process, as well as reduce potential errors related to omissions and mistakes due to manual calculations. Additionally, the Business Office would establish procedures to have someone independent of preparing the ERS and TRS worksheets perform a review of the Excel spreadsheet and monthly reports for accuracy prior to submission to the IT Department, which is responsible for electronically sending the monthly reports to the state.

Risk Assessment Update – 2010

Although there were some controls related to the ERS and TRS data including the exception reporting by New York State Education Department to identify material differences and the Assistant Superintendent for Business reviews the payroll reports containing this data to ensure reasonableness, we noted that the District still needed to implement this recommendation.

Risk Assessment Update – 2012 (This item is now closed)

We found that the District believes that the recommended process is a very time-consuming procedure that will not add materially to the accuracy of reports submitted to ERS. The Business Office stated that ERS and TRS staff reviews the data carefully for consistency and reasonableness. Any issues are reported to the District and the data is either explained or corrected. As ERS does this regularly, the District does not feel that performing this additional task is value added.

