



Yonkers Public Schools

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

November 2017

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES**

The Board of Education
Yonkers Public Schools

We have performed the procedures enumerated below, which were agreed to by the Yonkers Public Schools (the "District"), solely to assist the District. This agreed upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We have updated our October 2016 Initial Risk Assessment by performing certain internal audit procedures pertaining to the time period starting November 1, 2016 through October 31, 2017. The updated Risk Assessment and related internal audit plan concentrates on the following key internal control areas:

- Governance and Planning
- Budget Development
- Accounting and Reporting
- Revenue and Cash Management
- Grants
- Payroll
- Human Resources
- Benefits
- Purchasing and Related Expenditures
- Facilities/Capital Projects
- Fixed Assets
- Food Service
- Extraclassroom Activity Fund
- Student Data Management
- Information Systems
- Pupil Personnel Services
- Transportation
- Security and Safety

Our engagement is limited in scope and will be confined to our agreed-upon procedures. We will not be conducting an audit or review of the district's financial statements and therefore we will not express an opinion or any other form of assurance on them.

At the end of our engagement, we will present the results of applying the agreed-upon procedures in the form of our findings in a report. Our accountants' report should be used only for the intent of the original users of this report, and will include a statement indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. As such, using this report for anything other than the original intent of the agreed-upon procedures could mislead the readers. You must notify us immediately if the original users of the report change.

Very truly yours,

Nawrocki Smith LLP
February 9, 2018



Yonkers Public Schools

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Risk Assessment Overview

This Risk Assessment report provides a presentation of our view of the school district's risk pertaining to its financial operations. It gives the District's administration the information necessary to help optimize its overall performance. The report identifies, expresses, and prioritizes the key program risks so that the District's administration can focus on those areas most critical to its success. This analysis is used to define the District's risk profile. It will provide an overview of the risks facing the District's operations.

In accordance with the laws of New York, 2005, Chapter 263, all school districts and BOCES were required to establish an internal audit function no later than July 1, 2006 and be in operation no later than December 31, 2006. This function should include, at a minimum, development of a risk assessment of district operations, including but not limited to:

- a review of financial policies, procedures and practices
- an annual review and update of such risk assessment
- annual testing and evaluation of one or more areas of the District's internal controls
- preparation of reports which analyze significant risk assessment findings
- recommended changes for strengthening controls and reducing identified risk; and specifying time frames for implementation of such recommendations

Pursuant to Section 170.12 – Regulations of the Commissioner of Education – School District Financial Accountability, each school district must prepare a corrective action plan, approved by the Board of Education in response to findings to final reports issued by the internal auditor. This plan should include expected dates of implementation and should be filed with the New York State Education Department.

Internal Audit Objectives

The objectives of our engagement are as follows:

- develop an understanding of the critical business processes of the District within each functional area
- identify and qualify risks based on the understanding of the business processes and stated business rules
- identify stated controls that are currently in place to address those risks and ascertain if they are operating effectively
- recommend improvements in internal controls

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Scope and Methodology

The Board of Education has engaged Nawrocki Smith as the District's internal auditor. In compliance with New York State Laws, we have performed an annual update to the District risk assessment with respect to policies, procedures, and internal controls pertaining to District operations. The procedures applicable to the annual update of the District's risk assessment were performed during the twelve months ending October 2017 and were carried out in order to determine an internal audit plan for fiscal year 2017/2018 and thereafter. This risk assessment will be updated annually to reflect any changes in the current control environment and the existing internal audit plan.

Our risk assessment consisted of the following methodology:

- Perform interviews of Administration and other appropriate personnel
- Document procedures within key Functional Areas
- Identify key controls and perform audit tests of those controls
- Assess effectiveness of the key controls
- Identification and review of organization structure
- Analysis of risks that are a threat to the achievement of objectives
- Create a risk profile and internal audit plan

In addition to the above procedures, we have also evaluated and considered the following within our overall risk assessment:

- District policies and procedures
- Recent focus of State Comptroller Audits
- Board of Education/Audit Committee Meetings
- Materiality to Financial Statements
- Changes in management or key personnel
- Financial reports provided to the Board
- External auditor management letters
- District corrective action plans
- Organizational chart and job descriptions

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Internal Audit Risk Assessment Update Summary

We have analyzed eighteen (18) Business Process areas within the District and have developed an internal audit plan based upon our assessment of each area. Each of the eighteen (18) Business Processes contains multiple categories for which an extensive cycle analysis will be performed during the proposed time period noted within the risk rating and internal audit plan. The plan as presented will be revised each year based upon the annual risk assessment update and events/requests that occur during the year which impact the priority of future internal audit services.

The results of our update risk assessment are summarized below and in the tables presented on pages 5 through 6. We have utilized a “Low,” “Moderate,” and “High” control risk rating assessment scale in our assessment of the District which is summarized below:

<u>Current Year Ratings</u>		<u>Changes from Prior Year</u>	
<u>Rating</u>	<u>Count</u>	<u>Category (*)</u>	<u>Count</u>
High	1 1.27%	“High” to “Low”	- 0.00%
Moderate	9 11.39%	“High” to “Moderate”	- 0.00%
Low	69 87.34%	“Moderate” to “Low”	5 45.45%
Total	79 100.00%	“Low” to “Moderate”	6 54.55%
		“Moderate” to “High”	- 0.00%
		Total	11 100.00%

(*) Refer to pages 5 through 6 for business process rating changes.

- The November 2017 Risk Assessment Update contains thirteen (13) current year recommendations.
- The District has completed or taken action on the twenty-nine (29) October 2016 initial risk assessment report recommendations as follows:

	Complete	In-Process	Not Started	Total
Recommendations	9	8	12	29

We have summarized below our work plan for the 2017/2018 fiscal year:

Cycle Reviews:

- Transportation
- Human Resources Narratives
- Student Registration

Other 2017/2018 Planned Internal Audit Services:

- Key Control/Other Testing (See “T” categories on Pages 5-6)
- External Audit Corrective Action Plan Monitoring
- Quarterly Internal Audit Status Reports
- Medicaid Cycle Recommendations Follow-Up
- Annual Risk Assessment Update as of October 2018
- Other Internal Audit Services at the Request of the District/BOE

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Risk Rating and Internal Audit Plan

√ = Internal Audit Services Provided
★ = Business Cycle Review Complete

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

	Business Process	Business Process Categories	RISK				YEAR OF SERVICE			
			Inherent	Control		Change from PY	Prior Years	17-18	18-19	Subsequent Years
				15-16	16-17					
1	Governance and Planning	Governance Environment	H	L	L	—				X
		Control Environment / Policies & Procedures	H	M	L	▼				X
2	Budget Development	Budget Development	H	L	L	—	✓			X
		Budget Monitoring & Reporting	H	M	L	▼	✓			X
3	Accounting & Reporting	Financial Accounting and Reporting	H	M	L	▼		T		X
		External/Internal/Claims Auditing	H	M	L	▼				X
		Fund Balance Management	H	L	L	—				X
4	Revenue and Cash Management	Real Property Tax	M	L	L	—				X
		State Aid	H	L	L	—				X
		Out of District Tuition/Reimbursable Expenses	M	L	L	—				X
		Use of Facilities	L	L	L	—				X
		Donations	M	L	L	—				X
		Vending Machines	H	L	L	—				X
		Cash Receipts	H	L	L	—				X
		Cash/Investment Management	H	L	L	—				X
		Petty Cash	L	L	L	—				X
Bank Reconciliations	H	L	L	—		T		X		
Online Banking	H	L	L	—				X		
5	Grants	General Processing/Monitoring	H	L	L	—				X
		Grant Application	M	L	L	—				X
		Expenditures & Allowable Costs	H	L	L	—				X
		Cash Management	M	L	L	—				X
		Reporting and Monitoring	H	L	L	—				X
6	Payroll	Payroll Disbursements	H	L	L	—			X	
		Overtime Payments	H	L	L	—		T	X	
		Payroll Accounting & Reporting	H	L	L	—			X	
		Payroll Tax Filings	H	L	L	—			X	
		Payroll Reconciliation	H	L	M	▲			X	
7	Human Resources	Employment Requisition/Hiring	H	L	L	—		X		
		Personnel Evaluation	H	L	L	—		X		
		Termination	H	L	L	—		X		
		Employee Attendance	H	L	L	—		X		
8	Benefits	Eligibility	H	L	L	—				X
		Benefit Calculations	H	L	L	—		T		X
		Patient Protection and Affordable Care Act	H	H	H	—	✓			X
		Retiree Benefits	H	L	L	—				X
9	Purchasing and Related Expenditures	PO System/Vendor Database	H	L	M	▲				X
		Purchasing Process	H	L	L	—				X
		Payment Processing	H	L	L	—				X
		Employee Reimbursements	H	L	L	—		T		X
		Credit Cards	H	L	L	—				X

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Risk Rating and Internal Audit Plan

√ = Internal Audit Services Provided
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X = Proposed Business Cycle Review
T = Limited Testing of Business Process

	Business Process	Business Process Categories	RISK				Change from PY	YEAR OF SERVICE		
			Inherent	Control		Prior Years		17-18	18-19	Subsequent Years
				15-16	16-17					
10	Facilities/Capital Projects	Facilities Maintenance & Work Orders	H	L	L	—			X	
		Construction Planning & Monitoring	M	L	L	—			X	
		Capital Project Funding & Payments	M	L	L	—			X	
		Recordkeeping & Reporting	M	L	L	—			X	
11	Fixed Assets	Inventory/Capitalization Policy	H	L	L	—		T	X	
		Acquisition and Disposal	H	L	L	—		T	X	
		Inventory Process & Recordkeeping	H	L	L	—		T	X	
12	Food Service	Sales Cycle and System	M	L	L	—			X	
		Inventory and Purchasing	M	L	L	—			X	
		Free & Reduced Meals	M	L	L	—			X	
		Federal and State Reimbursement	H	L	M	▲			X	
		Financial Reporting & Monitoring	H	L	L	—			X	
13	Extraclassroom Activity Fund	General Controls	H	L	L	—	√		X	
		Revenue	H	M	M	—			X	
		Expenditures	M	M	L	▼			X	
		Reporting	M	L	M	▲			X	
14	Information System	Governance Security	H	L	L	—			X	
		Network Security	H	L	L	—			X	
		Inventory	H	L	L	—			X	
		Application Security	H	L	L	—			X	
		Physical Security	H	L	L	—			X	
		Disaster Recovery	H	M	M	—	√		X	
15	Student Data Management	Registration & Enrollment	H	L	L	—		X		
		Student Attendance	H	L	L	—			X	
		Student Performance	H	L	L	—			X	
16	Pupil Personnel Services	Budgeting and Planning	H	L	L	—			X	
		STAC Reimbursement	H	L	L	—			X	
		Medicaid Reimbursement	H	M	M	—	★		X	
		RFP and Contracts	H	L	L	—			X	
17	Transportation	Fleet Inventory and Maintenance	H	L	L	—		X		
		Bus Routing and Planning	H	L	M	▲		X		
		Labor and Supervision	H	L	L	—		X		
		Contract Management	H	L	M	▲		X		
		Federal and State Reimbursement	H	L	L	—		X		
18	Safety & Security	Plan Development & Strategy	H	L	L	—		T	X	
		Building Access & Security System	H	L	L	—			X	
		Compliance and Incident Reporting	H	L	L	—			X	
		Safety & Security Monitoring	H	L	L	—			X	

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

Control Risk - Control risk is the risk that a material misstatement in the un-audited information will not be detected and corrected by the management's internal control procedures on a timely basis.

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Risk Assessment Observations and Recommendations

Current Year Observations and Recommendations

Revenue & Cash Management

1. We analyzed the District's bank statements and bank reconciliation reports and noted a significant number of outstanding checks within the District that are unclaimed since 2010. The District has made numerous attempts to contact the vendors for the applicable outstanding checks. At the moment, these outstanding checks remain at the District's office as unclaimed property. We have verified that the District's reconciliation reports disclose such unclaimed properties.
 - *The District should consider remitting old unclaimed funds to New York State. Unclaimed property subject to Article V of the Abandoned Property Law includes amounts and securities due on an organization's own debt and equity issues, municipal debt, and mutual funds. Section 1315 requires Organizations to report outstanding checks issued for goods or services and unclaimed amounts issued for services not rendered or goods not delivered. This covers unclaimed accounts payable and account receivable credits, underfunded overcharges, as well as gift cards. Section 1315 maintains a three-year dormancy period.*
2. Cash receipts at the building level are not recorded in a safe deposit log nor forwarded to the Finance Department for deposit in a consistent manner.
 - *Accountability over cash receipts at the building level is enhanced when cash is recorded in a safe deposit log as soon as practicable from the date cash is received. The longer receipts go without being entered into the safe deposit log, the greater the risk. The safe deposit log should be reconciled to the amount of cash on hand and submitted to the Finance Department. This will assist in uncovering discrepancies between actual cash collected and recorded amounts in a timely manner.*

Food Service

3. The District is in need of an improved control process in the area of building level snack sales from class events and extraclassroom activity clubs that take place during school hours.
 - *The District should consider having its Internal Auditors assess and document the controls over the snack sales generated from the building level fundraising events and its impact to the school lunch sales. This will allow the District to assess the current status of the school lunch sales and at the same time identify solutions for the school lunch program's overall performance and self-sustainability.*

Extraclassroom Activity Fund

4. Although the Central Treasurers prepare monthly bank reconciliation reports, the Business Office presents a Treasurer's report for the High School and Middle School Extraclassroom Activity Clubs to the Board of Education at year end and not quarterly.
 - *In accordance with Part 172.3(b) of the Regulations of the Commissioner of Education, The Extraclassroom Activity Fund Central Treasurers should submit to the Board of Education a*

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financial report indicating the receipts, expenditures, and related balances in their custody on a quarterly basis, at a minimum.

Information Technology

5. The District's servers are not plugged into an uninterrupted power supply (UPS) or other backup power source which creates a risk of interruption in operational continuity.
 - *The District should consider installing uninterrupted power supplies (UPS) to provide the District's servers with a backup source of power when normal utilities are not available and enable the servers to continue to be utilized and/or to be properly shut down.*
6. It was indicated that the Information Technology Department does not store backups at a secured off-District premises location.
 - *The Information Technology Department should develop a plan for off-site storage to allow for a restoration of data even if the original data or worksite is destroyed.*
7. Although the Information Technology Department has successfully restore backups of files requested by District employees, the Information Technology Department has not assessed the restoration of a full backup of the District's servers.
 - *The Information Technology Department should conduct at a minimum annual restoration of a full backup of the District's servers to ensure the restoration process works as intended and that the District is able to recover data if needed. All restoration tests should be performed in a way and at a time that will not disrupt regular business operations and will truly mimic actual restoration procedures.*

Medicaid School Supportive Health Services (SSHS) Program

8. During the course of our audit we noted that the District's Medicaid team is comprised of two (2) individuals whose time equals to 1.4 FTE to fully adhere to the District's Medicaid compliance program and monitor its Medicaid reimbursement claims. Currently the District employs a part-time (0.4 FTE) Medicaid Compliance Officer who develops policies and procedures, establishes communication lines of non-compliance, and provides training. Furthermore, the Finance Department employs a full-time Account Clerk who works on the District's Medicaid reimbursement claims process. Due to limited availability and resources, validation or service exceptions reported in Medicaid Direct are not monitored or forwarded to the applicable service providers for review and re-submission.
 - *The District should consider conducting an analysis of employee duties, current and projected, and determine the feasibility of adding resources to meet the District's Medicaid billing initiative to include nursing and psychological assessment and counseling services. The role of the Medicaid Compliance Officer in monitoring the District's Medicaid compliance program should be considered for enhancement to address key functions generated by a scaled up billing program. Similarly, the adequacy of only one Finance Clerk in managing the Medicaid reimbursement claims and correction and re-submission of any rejections, should be determined. This analysis should assess how the additional staff can assist the District in optimizing the District's process and controls surrounding the submission of the required documents to support*

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the services rendered and in creating efficiencies in monitoring claims that are not submitted to Medicaid due to the exceptions in data.

9. During the course of our audit, we noted that the majority of the claims that were not submitted to Medicaid for reimbursement were attributed to the lack of documentation that is required to support the services rendered by occupational and speech therapists. The Medicaid Direct application has automated validations that will not allow incomplete claims to be processed for reimbursement. The Medicaid Compliance Officer and the Legal Department provide training to employees and providers regarding Medicaid compliance issues, the compliance program operation, and the procedures to be followed by any person who suspects non-compliance. The Finance Department provides training regarding Medicaid billing and reimbursement requirements, and the Special Education Department provides training regarding the documentation, frequency, timing, and quality of provider session notes. However, therapists generally are not fully complying with the Medicaid reimbursement requirements of maintaining related service log data in the IEP Direct application, including but not limited to session notes, provider or supervisor signatures, and evaluations during the required billing window.
- *According to the District's Policy 6685 – Medicaid Compliance Program, all employees, contractors, or vendors involved with providing or obtaining reimbursement for medical services, supplies, or equipment from or on behalf of the District are responsible for submitting honest and accurate bills to Medicaid. The District should consider conducting an analysis by building to identify employees not participating in the compliance program. In the event the analysis identifies an employee not following policy, the District should consider following disciplinary procedures pursuant to the policy, if legally defensible. As an alternative to the above recommendation, the District should consider adopting an additional policy to address the disciplinary response of non-compliance.*
10. It was represented that twice a month, two (2) Finance Account Clerks were responsible to forward validation and service “error” reports generated by Frontline Medicaid Direct to the applicable service providers indicating the reasons their claims were rejected by Medicaid (e.g. missing consent form, scripts, signatures, notes, etc.). Currently there is one (1) Speech Liaison within the Special Education Department that forwards these reports to the service providers for review and re-submission.
- *The District with the assistance from the vendor support group Frontline IEP should consider exploring the system capabilities in developing dashboards or exception reports specific to each service provider indicating the Medicaid and IEP compliance status of their student related services rendered prior to submitting a claim for Medicaid reimbursement. The Medicaid Compliance Committee should designate an individual to monitor the daily compliance reports and perform follow up procedures of any Medicaid non-compliance issues. The individual from the Special Education Department should communicate to the provider's Supervisor or Department Head any repeated non-compliance issues and develop a corrective action plan. The review results and corrective action plans should be reported monthly to the Medicaid Compliance Committee for monitoring purposes. The active monitoring of the Frontline Medicaid Direct Validation “error” reports will strengthen the District's controls over accountability and compliance with the Medicaid documentation requirements.*
11. The District has formed a Medicaid Compliance Committee which is comprised of the Medicaid Compliance Officer, Assistant Superintendent for Special Education, Director of Accounting, Finance Clerk, Legal Department, Human Resource Department, and Manager of Administration. The Medicaid Compliance Committee meets quarterly to discuss Medicaid updates on regulations and issues that prevent District from submitting claims.

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- *Based on state regulations and guidelines, the District should develop its own documented guidelines for each department regarding their roles, duties, and reporting requirements in respect to the District's Medicaid compliance.*

12. The Finance Clerk and the Medicaid Compliance Officer provide status reports to the Medicaid Compliance Committee regarding the District's Medicaid compliance program and reimbursement claims status.

- *The District and the City of Yonkers should consider consolidating these Medicaid compliance and reimbursement claims status reports and presenting them quarterly, at a minimum, to the Medicaid Compliance Committee, Board of Education, and City of Yonkers Commissioner of Finance. Furthermore, these status reports should include statistical information that derive from Medicaid Direct including but not limited to the following:*

- a) *Medicaid Reimbursement Status Reports. These reports will assist in tracking reimbursement projections and progress by school year, and optimizing claims for services provided within the billing window.*
- b) *Validation and Service "Error" Reports. These reports will assist in reviewing validation "errors" for services within the billing window to determine if corrections are possible.*
- c) *Denied / Rejected Detail Reports. These reports will assist in reviewing rejected / denied claims within the billing window to determine which claims may be resubmitted.*

The active monitoring of the above reports by an assigned individual to be determined by the Medicaid Compliance Committee will strengthen the District's controls over accountability and compliance with the Medicaid documentation requirements.

Transportation

13. The District is in need of a documented control process in the area of monitoring budgetary and actual transportation expenditures and in the area of making requests and approving additions or changes to student transportation services.

- *The District's Internal Auditors are in the process of assessing the District's budget planning procedures and will continue with the surrounding controls in respect to overall financial and operational processes.*

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Status of Prior Year Recommendations

We have performed follow-up internal audit services applicable to our previously issued initial risk assessment report dated October 2016. The services we performed included observing and evaluating the implementation status of the District's action plan in respect to our risk assessment recommendations. The October 2016 initial risk assessment report identified twenty-nine (29) recommendations within fifteen (15) distinct areas. The District has completed or taken action on the twenty-nine (29) recommendations as follows:

<u>Business Process</u>	<u>Complete</u>	<u>In-Process</u>	<u>Not Started</u>	<u>Total</u>
Governance and Planning	2	2	-	4
Budget Development	2	-	-	2
Accounting and Reporting	2	1	-	3
Revenue and Cash Management	-	-	1	1
Payroll	-	-	4	4
Human Resources	1	1	-	2
Benefits	-	-	2	2
Purchasing and Related Expenditures	-	1	1	2
Facilities/Capital Projects	-	-	1	1
Fixed Assets	-	1	-	1
Food Service	1	-	-	1
Extracurricular Activity Fund	-	-	1	1
Information Technology	-	1	2	3
Student Data Management	-	1	-	1
Pupil Personnel Services	1	-	-	1
Total	9	8	12	29

Governance and Planning

- The District's Policy Committee should consider reviewing and updating old policies to reflect current procedures carried out within various departments.

Status at October 2017: Complete

- The District should develop documented guidelines regarding the accounting and reporting, revenue collection and cash management, accounts payable, human resources, and payroll processes. Procedures should be periodically reviewed to ensure that responsibilities are adequately performed at the City of Yonkers Accounting Department and comply with District policies.

Status at October 2017: In-Process

- The District should develop formal job descriptions to describe the qualifications for each position as well as the duties assigned to the position within the Business Office. This is important as it enhances the understanding of each employee's responsibilities and provides opportunity to assess proper separation of duties and further cross training.

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Status at October 2017: Complete

- According to Section 2102-a of the Education Law Board members are required to obtain a minimum of six hours of training on the financial oversight, accountability, and fiduciary responsibilities. The District should maintain copies of all certificates of completion of Board of Education fiscal financial training.

Status at October 2017: In-Process

Budget Development

14. According to the New York State Education Department and format set forth in CR 170.2 of Commissioner's Regulations, budget status reports should be presented for all funds to the Board of Education quarterly, at a minimum, and monthly, if transfers were made. The budget status reports should be presented in the following mandated format:

Revenue Accounts

- Estimated revenues
- Amounts received to date of report
- Revenues estimated to be received during fiscal year
- Overages/Shortages

Appropriation Accounts

- Original appropriations
- Transfers and adjustments
- Revised appropriations
- Expenditures to date
- Outstanding encumbrances
- Unencumbered balances
- Overages/Shortages

Status at October 2017: Complete

15. The City of Yonkers Accounting Department should consider developing annual training workshops in regard to New World capabilities of monitoring budgets at the building level. During these meetings, the Building Level Administrators should become familiar with generating and reviewing budget status reports. This will assist the Building Administrators in increasing their awareness of the District's budgetary and actual expenditures throughout the fiscal year.

Status at October 2017: Complete

Accounting and Reporting

16. The District should receive appropriate interim financial information to facilitate oversight. According to the New York State Comptroller and New York State School Boards Association, the Board of Education should receive the following monthly reports:

- | | |
|---|---|
| <ul style="list-style-type: none">○ Cash flow reports○ Revenue status reports○ Warrant reports○ Fund balance estimate reports○ Extraclassroom activity fund reports | <ul style="list-style-type: none">○ Appropriation status reports○ Trial balance reports○ Budget transfer reports○ Food service reports |
|---|---|

Status at October 2017: In-Process

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17. The Accounting Department should develop a process whereby journal entries over \$1,000,000 and \$5,000,000 be routed to the Accounting Director and Commissioner of Finance, respectively, for review and approval. The Accounting Department should also considering generating a monthly query for journal entries over \$1,000,000 to be manually reviewed by the Accounting Director for accuracy purposes.

Status at October 2017: Complete

18. The Board of Education should consider requesting from its Claims Auditor monthly claims audit reports indicating audit results, findings, status of prior findings and resolutions of those findings. The monthly reporting will assist the Board of Education and District Management in assessing and monitoring the District's controls over the purchasing and accounts payable processing functions and will assist to ensure that claims are audited in a timely manner, properly supported and for legitimate District purposes.

Status at October 2017: Complete

Revenue and Cash Management

19. The District should consider having Nawrocki Smith conduct surprise audits of the cash management process for a sample of school locations. The objective of the surprise audit will be to assess the operating effectiveness of the Building level safe, cash receipts process, and to obtain knowledge as to each individual's job duties and involvement in the cash receipt process.

Status at October 2017: Not Started

Payroll

20. According to Education Law §§1604; 1719; 1720; 2116-a, the Board of Education should designate an individual to duly certify the District's payroll for the salaries of regularly appointed employees and officers legally entitled to be compensated for their services. The District should implement procedures whereby the payroll is verified at the building level by each respective Administrator. The Building Administrators should review and certify that individuals listed were employed at their applicable building during the pay period. Verifications of building level payroll should be returned to and maintained by the City of Yonkers Accounting Department and forwarded to the Superintendent of Schools for review as part of the Superintendent's certification process.

Status at October 2017: Not Started

21. The District should utilize a pre-approval form to document the request and approval of overtime work. Prior written authorization should be required for all nonemergency overtime hours and should be granted only for specific, verifiable purposes, consistent with any collective bargaining agreements. In emergencies, supervisors should verbally request/preapprove overtime and follow up with a review of overtime records to determine the appropriateness of overtime hours incurred. Prior written or verbal approval allows management to make sure that overtime is incurred for a valid and needed purpose, and that funding for the nonemergency overtime is provided for in the budget.

Status at October 2017: Not Started

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22. Prior to processing payroll, an employee separate from the payroll function should reconcile the payroll calculations to the respective timesheets. This reconciliation should be documented and forwarded to the Payroll Administrator for review and approval.

Status at October 2017: Not Started

23. All employee salaries and applicable wage rates should be properly authorized, approved, and documented to support the employee status and earnings reported in the payroll application, Ceridian. When a formal process exists to document authorized changes to salaries and wages, the opportunity for fraudulent or erroneous payroll changes to occur without detection decreases. An alternative to the above recommendation is to analyze the capabilities of the Ceridian application to issue an annual salary notice to all employees indicating their respective earnings for each fiscal year. A copy of the employee salary notice should be maintained in the employee's file.

Status at October 2017: Not Started

Human Resources

24. The Human Resource Department should develop an "Employee Exit Checklist" to document an employee's retirement, resignation, or termination. This will assist the District to ensure that the District has retained the equipment utilized by the former employee, disabled his/her access rights to District software applications, and made timely separation payouts. (Nawrocki Smith can provide a recommended template).

Status at October 2017: In-Process

25. Employee evaluations are used as a tool by Administrators to identify employees' strengths and weaknesses, document personnel decisions (including promotions, layoffs and transfers), and meet legal requirements. The District should continue its efforts to evaluate the employees on an annual basis to adhere to the respective employee bargaining unit agreement or contract.

Status at October 2017: Complete

Benefits

26. The District should perform an analysis of its potential IRS Section 4980H(a) liability in respect to a) not offering health insurance coverage to more than 95% of its full-time equivalent employees (working more than 30 hours per week) and in respect to b) whether the District receives notification that a full-time equivalent employee who was not offered the opportunity to enroll but received subsidized coverage in a healthcare exchange.

Status at October 2017: Not Started

27. The District should perform an analysis of its potential IRS Section 4980H(b) liability in respect to whether any full-time equivalent employees are currently contributing more than 9.5% of their income toward the premium for individual coverage under the District's least expensive plan.

Status at October 2017: Not Started

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Purchasing and Related Expenditures

28. The District should consider conducting with the assistance of Nawrocki Smith a vendor database analysis. This will allow the District to assess the current status of the database and at the same time identify solutions for on-going maintenance of the vendor database.

Status at October 2017: Not Started

29. The District should continue its efforts to communicate to District employees the need to eliminate, to the extent possible, confirming purchase orders. We also recommend the District to communicate to District employees of the importance of submitting invoices and supporting documentation to the City of Yonkers Accounts Payable Department for payment processing in a timely manner. This will help ensure that all cash disbursements are accurate and complete.

Status at October 2017: In-Process

Facilities/Capital Projects

30. The District should consider the cost/benefit options of utilizing GPS technology to monitor all or some of District vehicles. A computerized monitoring system will allow the Director of Facilities to verify the location of each District vehicle, assess acceptable idle time and gas utilization, and receive real-time notifications of potential speeding violations.

Status at October 2017: Not Started

Fixed Assets

31. The Office of the State Comptroller conducted an audit at the Yonkers School District in the areas of fixed assets for the period of July 1, 2013 through April 14, 2015. The District issued its response letter and corrective action plan on December 3, 2015. The District should consider having Nawrocki Smith observe and evaluate the implementation status of the District's action plan in respect to the State Comptroller's audit recommendations.

Status at October 2017: In-Process (Planned for Spring 2017)

Food Service

32. The District should analyze the food service sales and cost trends from 2012/2013 forward as to what is causing the decrease in overall performance and work towards a goal of self-sustainability.

Status at October 2017: Complete

Extraclassroom Activity Fund

33. The District should consider having Nawrocki Smith conduct a cycle audit to address the following:

- a. Review and update, where needed, the District's ECAF training, guidance and procedures handbook issued to all employees involved with extraclassroom activities.
- b. Review the process of fundraising, deposits, disbursements, sales tax, and accounting procedures.

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- c. Assess student involvement and attendance, oversight of District approved club charters, active and inactive club activity, and job duties/functions related to employee stipends.

Status at October 2017: Not Started

Information Systems

34. The District should consider updating its Disaster Recovery Plan to include its current backup and restoration procedures and the current stakeholders responsible to carry out the plan. Based upon our analysis of the current plan we recommend including the following:

- o Information pertaining to the backup and recovery programs for books and records that encompass both hard copy and electronic data.
- o Identification and backup of mission-critical systems.
- o Assessment and consideration of financial and operational risks.
- o Definition of alternative communication options between employees and the organization.
- o Establishment of alternative physical locations for employees, with special attention initially to employees who staff the organization's immediate offsite information systems recovery team(s).
- o Impacts on critical constituents, external clients, government agencies and other relevant organizations in the event of a disruption of continual processing or service.
- o Continuation of mandated, legislated regulatory reporting in the event of a disruption of continual processing or service.
- o Established authorization and access rights to copies of the disaster recovery plan distributed to users.

The Information Technology Department should test the disaster recovery plan on an annual basis to ensure it works as intended and that users know their duties during a disaster. The testing results should be documented and formally communicated to the Superintendent of Schools.

Status at October 2017: In-Process

35. The District should consider having a third party separate from the existing consultant conduct a penetration test to circumvent security features of the system and exploit vulnerabilities to gain unauthorized access. This is an effective way for the District to identify and prioritize the real-time risks to a network security environment.

Status at October 2017: Not Started

36. The Information Technology Department should establish protocols to prevent building level Administrators and Clerical employees from saving data on their personal desktops or laptops. This will prevent any important information from being lost and prevents the user from saving personal or District sensitive documents on their work computer/laptop.

Status at October 2017: Not Started

Student Data Management

37. The District should designate an individual separate from the building level Main Offices to periodically review the grade changes made by users and determine the appropriateness of the grade

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changes. Applications normally contain multiple audit logs that can be reviewed to ensure individuals are making only authorized changes in the application. These audit logs provide a mechanism for individual accountability and for management to document the history of student grade changes.

Status at October 2017: In-Process

Pupil Personnel Services

38. Medicaid conducted an audit at the District in the area of the Medicaid claim process. The District should consider having Nawrocki Smith assist its Medicaid Compliance Office with periodic audits of documentation supporting the quality and necessity of services provided in accordance with the student's IEP, makeup sessions, if any, and the reconciliation between claims and payments to ensure it meets the standards required by Medicaid.

Status at October 2017: Complete

Exhibits

Exhibit I History of Internal Audit Reports Issued

Exhibit II Internal Audit Plan for 2017/2018

Yonkers Public Schools
Internal Audit - Nawrocki Smith
History of Internal Audit Reports Issued
Exhibit I

<u>Report Type</u>	(*) <u>Prior Years</u>	<u>2015/2016</u>	<u>2016/2017</u>
<u>Cycle Reviews</u>			
Purchasing & Related Expenditures	√	-	-
Human Resources	√	-	-
Transportation	√	-	-
Special Education Vendor Insurance Compliance	√	-	-
Medicaid School Supportive Health Services Cycle	-	-	√
<u>Other Additional Services</u>			
Budget Development & Monitoring	-	-	√
Extraclassroom Activity Fund Packet	-	-	√
<u>Risk Assessment</u>			
Initial	-	√	-
Update	-	-	√

(*) Prior Internal Auditor



Yonkers Public Schools

2017/2018 INTERNAL AUDIT PLAN

(Based upon November 2017 Risk Assessment Update)

Exhibit II

Cycle Review

- **Transportation**
- **Human Resources Narratives**
- **Student Registration**

Status

**Fieldwork In-Process
Fieldwork In-Process
Commencement TBD**

Key Control Testing

- **Journal Entries**
- **Bank Reconciliations**
- **Payroll Overtime Payments**
- **Benefit Calculations**
- **Employee Reimbursements**
- **Fixed Assets**
- **Student Registration**
- **Safety & Security Plan Development & Strategy**

Status

**Planned for Mar-18
Planned for Mar-18
Planned for Mar-18
Planned for Mar-18
Planned for Apr-18
Planned for Apr-18
Planned for Apr-18
Planned for Apr-18**

Additional Internal Audit Services

- **Annual Risk Assessment Update as of October 2017**
- **Vendor Database Analysis**
- **Building Level Cash Management Control Evaluation**
- **External Audit Corrective Action Plan Monitoring**
- **Annual Risk Assessment Update as of October 2018**
- **Medicaid Cycle Recommendations Follow-Up**
- **Issue Quarterly Status Reports**
- **Other Internal Audit Services at the Request of the District**

Status

**Draft Complete
Upon Request
Upon Request
Planned for Oct-18
Planned for Oct-18
Planned for Oct-18
Quarterly
As Requested**

Tentative On-Site Internal Audit Schedule

To be determined