

**Board of Education
Elmira Heights Central School District
2083 College Ave.
Elmira Heights, NY 14903**



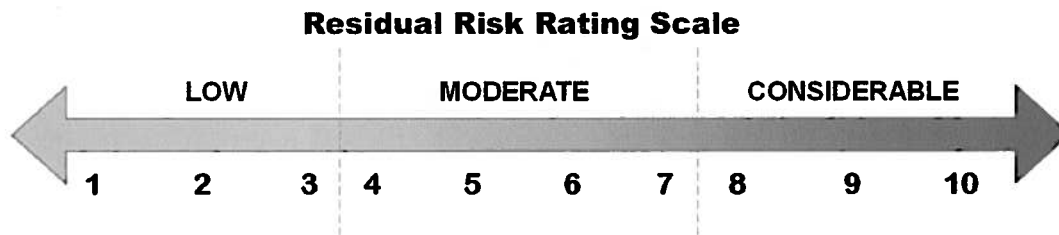
**2015-2016
Internal Audit Risk Assessment
Update Report**

June 2016

The assigned residual risk rating, low, moderate, or considerable, is calculated after considering inherent and control risk. To establish a control risk rating, internal audit uses various testing methods such as questionnaires and discussions with District staff, sample testing of key controls, and walk throughs.

Not all risks are equal. Some are more likely than others to occur, and some will have a greater impact than others if they occur. Once risks are identified, their probability and significance must be assessed. Upon identifying and assessing risk, the District must decide how to deal with it.

Based on a cost/benefit analysis, in some cases, the decision may be to control it; in others, it may be to accept it. Residual risk ratings are not only categorized as *Low*, *Moderate*, or *Considerable*, but also with a number rating. The number rating is based on various factors such as the severity of internal control recommendations, materiality, probability, and significance. In addition, the residual risk can be affected by recent audit reports or findings by other federal, state, or independent auditors. See the graphic below for the Residual Risk Rating Scale.



Results and Recommendations

The NYS Education Department has outlined twenty-four different areas to be assessed and audited by Internal Audit. Internal Audit has merged and re-categorized all twenty-four areas into the following nine auditable/functional units:

- Revenue and Cash Management
- Purchasing and Expenditures
- Payroll and Personnel
- Extraclassroom Activities
- Governance
- Accounting and Reporting
- Assets and Inventory
- Facilities Maintenance and Construction
- Student Services and Data

Using the methodology explained above, Internal Audit has determined and assigned a residual risk rating to all nine auditable/functional areas for the Elmira Heights Central School District. The following three sections of the report specify those ratings in ascending order from *Low* to *Considerable*. In accordance with the NYS Five Point Plan, Internal Audit is required to recommend changes for strengthening controls and reducing identified risks where possible, and to specify time frames for implementation of such recommendations. The recommendations are provided to assist the District in managing and reducing risk. It should be noted that the enhancements recommended are not the only contributing factors to the ratings of *Moderate* or *Considerable* risk. As explained above, many areas are inherently riskier than others, regardless of the internal control structure.

Low Residual Risk

The following function(s) have a *Low* residual risk rating. There are no associated recommendations for improvement to internal controls for these area(s).

	Fiscal Year	Inherent Risk	Control Risk	Residual Risk
Facilities Maintenance and Construction	12-13	Low	Low	Low – 3
	15-16	Low	Low	Low – 3

Moderate Residual Risk

The following function(s) have *Moderate* residual risk ratings. If there are verbal recommendations regarding controls, very minor items noted throughout the risk assessment that do not warrant a written recommendation, or unresolved findings from any previous audit reports, this may lead to a *Moderate* residual risk rating without any associated written recommendations.

	Fiscal Year	Inherent Risk	Control Risk	Residual Risk
Student Services and Data	12-13	Moderate	Low	Low – 3
	15-16	Moderate	Moderate	Moderate – 5

1. School Lunch Cashier Till Count Out Procedures – Internal Audit noted cashier’s tills are being counted out by the cashier and a food server in the breakroom. The breakroom has a back door, there are employees coming and going, and there are social conversations in progress. This is not a good environment for counting money due to the many distractions and opportunities for errors to occur.

Internal Audit recommends cashiers count out tills in the food service office, not the break room. The 2 cashiers should cross count each other’s tills and sign the count out paperwork. The food service manager and 1 of the cashiers should then combine the money into one deposit, fill out and sign the deposit slip, and put the money into a sealed bank bag. The food service manager will then take the sealed bag to the building office to be picked up for deposit.

2. School Lunch Cashier Till Balancing - Internal Audit noted if the cashier’s till did not balance at the end of a meal, the cashier can post an adjustment to the control amount that should be in the till, thereby forcing the till to balance. Internal Audit recommends cashiers not be allowed to make adjustments to the control amount while balancing their till. If a posting adjustment is needed, the cashier should notify the manager, and the manager should complete the posting adjustment. Adjustments are sometimes needed if a check from a parent is not properly posted between siblings. Internal Audit also recommends the manager verify the cashier has not made any adjustments during the till balancing process by running a “Cash Out Log Deposit Detail Report” and comparing the amounts on the cashier’s original report.

	Fiscal Year	Inherent Risk	Control Risk	Residual Risk
Fixed Assets	12-13	Moderate	Moderate	Moderate – 6
	15-16	Moderate	Moderate	Moderate – 6

1. Assets - Internal Audit noted 1 of 25 assets tested had an incorrect inventory tag number, and 2 of 25 assets tested were in the inventory system under the old asset tag numbers. This is an improvement since the 2013-14 Asset and Inventory Audit. Internal Audit recommends the District continues to update the inventory system with the correct inventory tag numbers. Internal Audit also recommends the District review and update the inventory system for Maintenance Department equipment over the summer. There appears to be obsolete equipment and equipment with old asset tag numbers throughout the District.

	Fiscal Year	Inherent Risk	Control Risk	Residual Risk
Governance	12-13	Moderate	Moderate	Moderate – 5
	15-16	Moderate	Moderate	Moderate – 5

No recommendations to improve internal controls were noted for Governance.

	Fiscal Year	Inherent Risk	Control Risk	Residual Risk
Purchasing and Expenditures	12-13	Moderate	Moderate	Moderate - 7
	15-16	Moderate	Moderate	Moderate - 7

1. Credit Cards - Internal Audit noted the Chemung Canal Credit Card contains a "Cash Advance Plan". Internal Audit recommends removing the "Cash Advance Plan" from the credit card to prevent cash advances on the card.

	Fiscal Year	Inherent Risk	Control Risk	Residual Risk
Accounting and Reporting	12-13	Moderate	Moderate	Moderate - 6
	15-16	Moderate	Moderate	Moderate - 6

1. Medicaid Prescriptions – A "Written Order of Medical Necessity" (prescription) is required in order to bill Medicaid for speech, occupational, and physical therapy services. Internal Audit noted a speech session was not billed to Medicaid due the provider cosigner not being able to find a prescription on file. Internal Audit recommends prescriptions be entered into Clear Track as soon as received, and cosigners double check for prescriptions before signing off on a claim.

	Fiscal Year	Inherent Risk	Control Risk	Residual Risk
Revenue and Cash Management	12-13	Moderate	Moderate	Moderate - 6
	15-16	Moderate	Moderate	Moderate - 6

1. Untimely Deposit - Internal Audit noted 1 of 7 deposits tested were not made timely. Internal Audit recommends all cash and checks be deposited within 3 business days of receipt.

	Fiscal Year	Inherent Risk	Control Risk	Residual Risk
Payroll & Personnel	12-13	Moderate	Moderate	Moderate - 5
	15-16	Moderate	Moderate	Moderate - 5

1. Form I-9 - The Department of Homeland Security requires all employees hired after November 6, 1986, to complete an Employment Eligibility Verification Form (Form I-9).

The I-9 Instructions, Section 2, state the employer is to record the title, number and expiration date, if any, of the documents submitted for verification. Some examples of documentation are a driver's license, social security card, and passport. Internal Audit noted Section 2 was not properly completed for 2 of 8 forms tested. The two employees were hired before the 2015-16 school year. Internal Audit recommends the District reviews all personnel files to ensure all I-9 Forms are present and properly completed.

Considerable Residual Risk

The following functions or processes have *Considerable* residual risk ratings.

	Fiscal Year	Inherent Risk	Control Risk	Residual Risk
Extraclassroom Activities	12-13	Considerable	Considerable	Considerable - 9
	15-16	Considerable	Not Tested	N/A - Not Tested

The District should continue to implement any external auditor recommendations for Extraclassroom Activities.

Recommended Implementation Timeframe

Internal Audit suggests implementation of the above recommendations by September 2016.

Concluding Remarks

Internal Audit recommends the detailed testing of Student Services and Data for the 2016-2017 school year as a result of the updated risk assessment.