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Scotia-Glenville Central School District:
FY 2023/24 Annual Risk Assessment

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QUEST R III

May 29, 2024

Board of Education
Scotia-Glenville Central School District
900 Preddice Parkway
Scotia, New York 12302

We have completed the annual update of the financial risk assessment for the Scotia-Glenville Central School District ("the District"). The basis for our current report was the initial financial risk assessment report dated September 18, 2007. One of the requirements of the 2005 School Financial Oversight and Accountability legislation is to update the risk assessment annually. Our engagement was designed to revisit the risks identified in the previously issued report and provide a report on the organization's steps taken to mitigate those risks. As well as identifying new risks as conditions change within the District.

The purpose of the financial risk assessment was to review the internal controls that the District has in place to prevent errors, detect fraud, and ensure that financial reporting is accurate and that the District's assets are safeguarded. In conducting the financial risk assessment, we considered significant classes of assets and transactions. We interviewed key personnel to obtain an understanding of the financial processes.

We noted some areas where the District could improve the internal control structure. Our recommendations follow in the attached report.

Should you need assistance in implementing our recommendations, or other requirements of the 2005 legislation, we will be glad to help.

RELIABILITY OF INFORMATION

As noted, the purpose of our engagement was to assist you in improving the process by which you monitor and manage the risks that face the District. However, it is ultimately your responsibility to assess the adequacy of your risk management system.

In performing our engagement, we relied on the accuracy and reliability of information provided by district personnel. We have not audited, examined, or reviewed the information, and express no assurance on it.

DISTRIBUTION OF THE REPORT

This report is intended solely for the information and use of the Board of Education and management of Scotia-Glenville Central School District and should not be used for any other purpose.

We appreciate the opportunity to serve you and thank the individuals in your organization for their cooperation. Over time, it will be necessary to reassess your risks to ensure that they have not changed and to ensure that your risk management system is functioning properly. Through our ongoing involvement with you as a client and our knowledge of your district and its processes, we are in a unique position to assist you with that process. Please, contact us at any time should you desire such services.

Sincerely,

Kenneth R. Ziobrowski

Kenneth Ziobrowski, CIA, CFE
Internal Audit Manager
Questar III BOCES

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Inherent Risk Areas

Below is a summary of inherent risks that should be addressed as part of conducting the annual independent audit and the ongoing internal audit function:

RISK AREA	DESCRIPTION	RECOMMENDATION
<p>Changing Environment</p>	<p>The District operates in an environment of complex or frequently changing compliance requirements. The risk to the District is that as compliance regulations change complexities place task burdens on the District's personnel. The complexity of the tasks increases the risk that the District could feel adverse consequences if it were to lose a key person in the Business Office.</p>	<p>To mitigate this risk, the District should require business office personnel to document all critical financial processes, such as payroll, purchasing, accounts payable and information technology processes. These documents should be reviewed, tested, and updated as processes change.</p> <p>In addition, personnel should be cross-trained to cover all critical processes during vacations, absences, or vacancies in financial positions.</p> <p>Currently this inherent risk is not impacting the District.</p>
<p>Complex Transactions</p>	<p>The District has a mix of program types funded by third (3rd) parties that could motivate management to shift costs or manipulate accounting transactions.</p>	<p>The District's internal audit function should monitor practices to ensure that funding regulations are understood and complied with.</p> <p>In addition, a properly functioning claim audit procedure will review the appropriateness of charges to the various programs.</p> <p>Currently this inherent risk is not impacting the District.</p>
<p>Segregation of Duties</p>	<p>Segregation of duties is an issue within school districts primarily due to limited staffing and/or changes to personnel responsibilities. There may be instances where the District has risk exposure and no mitigating controls.</p>	<p>Develop an internal auditing plan that can act as a compensating control.</p> <p>Currently this inherent risk is not impacting the District.</p>
<p>Prior Audits</p>	<p>Internal Audit has performed the following audits that will require a follow-up:</p> <ul style="list-style-type: none"> • Extraclassroom – FY 2009/10 • Fuel Inventory – FY 2009/10 • Payroll – FY 2010/11 with follow-ups completed in FY 2012/13, FY 2014/15, and FY2015/16 • Special Education – FY 2011/12 • Transportation – FY 2013/14 with follow-up completed FY 2015/16 	<p>The Board of Education should consider having Internal Audit perform follow up audits to ensure management corrective actions to audit observations are working effectively and efficiently.</p>

RISK AREA	DESCRIPTION	RECOMMENDATION
	<ul style="list-style-type: none"> • Medicaid Audit – FY 2014/15 • Transportation – FY 2015/16 • Payroll Follow-Up – FY 2015/16 • Facilities Usage – FY 2016/17 • Attendance – FY 2016/17 • Medicaid Compliance Follow-Up – FY 2017/18 • Extraclassroom Follow-Up – FY 2017/18 • Transportation Follow-Up – FY 2018/19 • Medicaid Follow-Up – FY 2018/19 • Purchasing – FY 2018/19 • Transportation Follow-Up – FY 2019/20 • Payroll – FY 2020/21 • Special Education (STAC) – FY 2020/21 • Fuel Inventory – FY 2021/22 • Staff Attendance – FY 2021/22 • Medicaid – FY 2021/22 • Transportation Inventory – FY 2022/23 	

Assessment of Risk

Below is an assessment of the District's internal controls for each functional area which are classified as low; moderate; or high risk. The assessment is based on the likelihood and impact that an unfavorable event would have on the District. The functions that we deemed to be high risk areas are critical to the operation of the District or are assets susceptible to misappropriation. In addition, this information may be used by the Board of Education for developing an audit plan for the upcoming year.

Functional Area	Audit Date	Risk Classification		Comments
		Prior Year	Current Year	
Cash – Business Office		Low	Low	
Cash – Lunch Program		Low	Low	
Cash – Extraclassroom	FY 2009/10; 2017/18	Low/Moderate	Moderate	<ul style="list-style-type: none"> • Segregation of duties • Lack of reviews of ledgers and cash receipts and disbursements transactions by the Middle School Faculty Auditor
Cash – Petty Cash		N/A	N/A	
State Aid		Moderate	Moderate	
Banking		Low/Moderate	Low/Moderate	
Accounts Receivable – General		Low	Low	
Accounts Receivable – Medicaid	FY 2014/15; 2017/18; 2018/19; 2021/22	Low/Moderate	Low/Moderate	
Accounts Receivable – Special Education	FY 2011/12; 2020/21	Low/Moderate	Low/Moderate	
Accounts Receivable – Federal		Low/Moderate	Low/Moderate	
Accounts Payable		Moderate	Moderate	
Payroll	FY 2010/11; 2012/13; 2014/15; 2015/16; 2020/21	Moderate	Moderate	
Purchasing	FY 2018/19	Low	Low	
Fixed Assets Accountability		Low/Moderate	Low/Moderate	
Inventory – Fuel	FY 2009/10; 2021/22	Low	Low	
Inventory – Transportation Parts and Supplies	FY 2013/14; 2015/16; 2018/19; 2019/20; 2022/23	Low/Moderate	Low/Moderate	
Inventory – Lunch Program		Low	Low	
Inventory – Operations & Maintenance		Low/Moderate	Low/Moderate	
Inventory – Extraclassroom		Moderate	Moderate	
Use of Facilities	FY 2016/17	Low	Low	
Employee Benefits (include retirees)		Low	Low	
Employee Expense Reimbursements		Low	Low	
Information Technology		Moderate	Moderate	
Human Resources		Low/Moderate	Low/Moderate	
Capital Projects		Low/Moderate	Low/Moderate	
Budgeting		Low	Low	
Claims Auditing		Low	Low	

Prior Year's Comments and Recommendations

We noted the following issues within functional areas that could use improvement to their internal controls. The comments and recommendations provide a tool for management to assist in developing or maintaining a risk management system that mitigates risk to an acceptable level as determined by the Board of Education. The issues were identified from prior risks assessments and are summarized in the table below along with our recommendations and updates as of January 26, 2024:

AREA IMPACTED	DESCRIPTION OF CONDITION	RECOMMENDED SOLUTION
<p>Information Technology (IT)</p>	<p>We have noted that the District does not have a formally documented disaster recovery plan.</p>	<p>The District should implement the use of a formal disaster recovery plan for programs that are located on the District's server (e.g., Nutrikids). A formal disaster recovery plan should apply to any program(s) that would require recovering data during any unforeseen circumstances.</p> <p>Note: The District will be working with its managed IT provider to formulate a formal disaster recovery plan.</p>
	<p>Updated January 2024: No change from the prior year. A disaster recovery plan is a documented process or set of procedures to execute an organization's disaster recovery processes and recover and protect a business' information security infrastructure in the event of a disaster. It is "a comprehensive statement of consistent actions to be taken before, during and after a disaster". It is best practice to have a formally documented disaster recovery plan as it will ensure the District's preparedness, faster recovery, and business continuity in the event of a disaster.</p>	
	<p>The District has not developed a plan to spend its smart schools bond act funds. The District was allocated over \$1.7 million.</p>	<p>The District should develop a plan to spend its allotted smart schools bond act funds. The District should ensure to follow State Education Department guidance on what is allowable to spend with its funds and submit its plans to the state.</p>
	<p>Updated January 2024: A committee meets monthly that is working towards a spending plan with the Assistant Superintendent for Curriculum and Instruction.</p>	
	<p>The District does not send periodic phishing emails to all personnels as part of its cybersecurity training.</p>	<p>The District should consider sending phishing emails periodically to all personnel as part of its cybersecurity training due to the increased phishing scams targeting school districts. Any personnel who click on the phishing email should be enrolled in more cybersecurity training.</p>

AREA IMPACTED	DESCRIPTION OF CONDITION	RECOMMENDED SOLUTION
	<p>Updated January 2024: No change from the prior year. With the increasing risk of bad actors' attempts to access organization's systems, it is best practice to conduct regular phishing emails exercise as this will:</p> <ul style="list-style-type: none"> • Help personnel learn how to spot phishing attacks; • Serve as reminders to the personnel regarding the existing IT policies and procedures; and • Help the IT Department identify particularly risky and at-risk personnel. 	
<p>Extraclassroom Activity Funds (ECAF)</p>	<p>We noted the Middle School extraclassroom clubs are not consistently using fundraising request forms prior to conducting a fundraising activity.</p>	<p>The District should ensure the Middle School is completing fundraising request forms prior to conducting a fundraiser. This would ensure that extraclassroom activities are following guidelines illustrated in "The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds".</p>
	<p>Updated January 2024: No change from the prior year. The internal auditor provides annual training to advisors on all ECAF activities, including fundraising requirements.</p>	
	<p>The Middle School Faculty Auditor performs bank reconciliations on a monthly basis. However, the Faculty Auditor has not been assigned to review ledgers, examine various cash receipts, and examine various disbursements to determine that proper procedures are being used by the District. The District has not implemented best practices for reviewing extraclassroom activities.</p>	<p>The Faculty Auditor should select a sample of both cash receipts and disbursements when auditing extraclassroom activities. The Faculty Auditor should review the documents and ensure that proper procedures are being followed. Additional guidance regarding the responsibilities of the Faculty Auditor can be found in "The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds".</p>
	<p>Updated January 2024: No change from the prior year.</p>	
	<p>For check signing at the Middle School, there is only one (1) signature required.</p>	<p>The District should consider requiring two (2) signatures to verify that both signers agree that the payment is proper and reasonable. The District should consider assigning the Middle School Central Treasurer and Building Principal for this role.</p>
<p>Updated January 2024: No change from the prior year.</p>		

AREA IMPACTED	DESCRIPTION OF CONDITION	RECOMMENDED SOLUTION
<p>Human Resources</p>	<p>The District's process for receiving fingerprint clearance does not assure all clearances will be received by the personnel's start date. This comment was identified in a prior risk assessment and remains an issue.</p>	<p>The District should ensure that all personnel have received fingerprint clearance prior to the personnel's first (1st) day on the job. According to School Law, section 41, Prospective Employees: The fingerprinting requirements also apply to prospective school employees appointed by the school board on or after July 1, 2001, who are reasonably expected by a covered school to provide services involving direct, in person, face-to-face communication or interaction with students under the age of twenty-one (21) for more than five (5) days per school year.</p>
	<p>Updated January 2024: No change from the prior year. The district does try to get a fingerprint clearance before a new employee's start date, however there are times when the necessity of filling the position is time sensitive and, in those cases, the district will allow the employee to start pending their clearance. In these instances, it is noted on the board agenda that their employment is contingent upon the pending clearance. The district will follow up to ensure that they are fingerprinted in a timely manner.</p>	

Issues Identified in the Current Year

We noted the following issues within functional areas that could use improvement to their internal controls. The comments and recommendations provide a tool for management to assist in developing or maintaining a risk management system that mitigates risk to an acceptable level as determined by the Board of Education. The issues were identified from the **FY 2023/24** risk assessment and are summarized in the table below along with our recommendations:

AREA IMPACTED	DESCRIPTION OF CONDITION	RECOMMENDED SOLUTION
<p>Extraclassroom Activity Funds (ECAF)</p>	<p>We have noted that the Middle School Faculty Auditor prepares the bank reconciliation statements on a monthly basis.</p>	<p>The Middle School Faculty Auditor should not be responsible for the preparation of the bank reconciliation statements as this is a management function and can result in an impairment of the Middle School Faculty Auditor's objectivity. The District should assign the responsibility of the preparation of the bank reconciliation statements to the Central Treasurer and instead assign the Middle School Faculty Auditor to be the reviewer.</p>
	<p>We have noted that the Middle School Faculty Auditor is one (1) of the two (2) authorized check signatories.</p>	<p>The Middle School Faculty Auditor should refrain from performing management functions as this could create a conflict of interest and can result in an impairment of the Middle School Faculty Auditor's objectivity. Chapter IV of the Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds guidelines of the New York State Education Department states that the person appointed as auditor shall have no part in the approval of payments, the planning of income, or in the keeping of records and forms.</p>
	<p>We have noted that the Building Principal functions as the High School Faculty Auditor.</p>	<p>Chapter IV of the Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds guidelines of the New York State Education Department prohibits the appointment of building principal or chief school officer as auditor. Accordingly, the person appointed as auditor shall have no part in the approval of payments, the planning of income, or in the keeping of records and forms. We recommend for the District to assign the responsibilities of a faculty auditor to another personnel who is independent of ECAF's management responsibilities such as the approval of payments, the planning of income, or the keeping of records and forms for the</p>

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AREA IMPACTED	DESCRIPTION OF CONDITION	RECOMMENDED SOLUTION
		ECAAF.

Cleared Comments:

The following conditions were identified from previous annual risk assessments but have been adequately addressed by the District.

(Reported for informational and historical purposes only.)

FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
<p>General</p>	<p>Changes can be made to various systems master files without any review or approval.</p>	<p>Updated October 2008: The Business Manager utilizes a change report generated from Finance Manager each month. The report provides a listing of each change by whom the change was made and date.</p>
	<p>Duties are not rotated during vacation periods in key areas such as banking, disbursements, and payroll.</p>	<p>Updated May 2010: The District has developed other controls such as segregation of duties and management oversight, which has minimized the need to enforce mandatory vacations as a key control.</p>
	<p>The District does not use a fraud hotline for vendors, taxpayers, and personnel to use to report suspected abuse.</p>	<p>Updated June 2012: The fraud hotline will not be incorporated due to legal counsel advisement. However, the District's attorney will be preparing a policy in lieu of a hotline.</p>
	<p>The District had commenced cross-training some of its personnel (e.g., Deputy Treasurer) to enable them to step into different roles or functions, minimizing disruptions and maintaining productivity until new hires are onboarded or the expert returns to work. However, we have noted that the District has not established formally documented guidelines on the personnel's performance of "back-up" roles or functions, particularly on those "back-up" roles or functions which may be in conflict with the personnel's primary role or function (e.g., signing of checks and processing vendors' invoices).</p>	<p>Updated January 2024: The business office has a procedural manual for all employees in the office. It has been updated twice. We have been working the past year with a retired business official to update all procedural duties, including mine. We have reviewed first draft of such work, and continue to work on this as I have assigned to HR to prepare an update of the duties and cross-training, so a work in progress at this point but being addressed.</p>
<p>Financial Policies</p>	<p>Many of the District's financial policies have not been updated in recent years.</p>	<p>Updated June 2012: The District created a policy committee and continues to review and revise Board Policies, as necessary. In addition, the District put the Board Policies on its website.</p>
<p>Cash (Balances, Receipts, and Disbursements)</p>	<p>The District should consider setting a debit filter with all banks for all bank accounts. This effectively prohibits the banks from allowing third (3rd) parties to execute debits on the District's accounts.</p>	<p>Updated October 2008: The District has established positive pay and debit filter controls with its banking institution.</p>

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FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
	<p>This control would limit exposure to fraudulent access to district funds that are initiated outside of the District's operations.</p>	
	<p>During our testing of cash disbursements, it was noted that one (1) disbursement tested had a hand-written purchase order and no requisition.</p>	<p>Updated October 2008: All purchase orders are required to be processed electronically and approved by the Business Manager. Invoices shall not be paid without an approved purchase order. All exceptions will be reviewed on an individual basis and documented to explain the reason for the deviation from policy.</p>
	<p>There is a segregation of duties issues with respect to cash, payables, and other financial processes. The Accounts Payable Clerk is performing incompatible duties such as: preparer of checks; mails checks and receives the bank statements and can also make changes to the vendor master file. The District Treasurer maintains the general ledger and cash receipts subsidiary account, as well as reconciles tax collections.</p>	<p>Updated May 2010: The Business Office has implemented a check scanning device whereby each check is scanned by the District Treasurer that goes directly to the bank.</p> <p>The Accounts Payable Clerk still makes modifications or additions to the vendor file; however, these changes are reviewed by the Business Manager.</p>
	<p>It was noted that aged outstanding checks are not handled according to the NYS regulations. Checks that are aged may be voided and reversed to the general fund.</p>	<p>Updated June 2012: The District makes attempts to contact the individual for unclaimed payroll checks. If unsuccessful, the Business Office forwards the funds to the NYS OSC's Unclaimed Funds Division.</p>
	<p>We noted that buildings retain copies of personal checks to support cash receipts. The personnel may not always be safeguarding this information by not restricting access to these copies. Internal Audit expressed the concern of protecting sensitive information printed on the copied checks (routing numbers, account numbers, names, addresses, phone numbers).</p>	<p>Updated January 2020: We noted that personnel at the buildings are properly safeguarding the personal checks by keeping them in a secured area.</p>
	<p>Individuals responsible for delivering cash/checks are not properly safeguarding funds. We noted that cash/checks are being sent to the Business Office in interoffice envelopes. The District does not use locked bank bags when delivering cash/checks to the Business Office.</p>	<p>Updated January 2023: The buildings are now consistently utilizing locked bank bags when delivering cash/checks to the Business Office.</p>
Petty Cash	<p>The petty cash funds are not returned to</p>	<p>Updated June 2016: The Middle School and</p>

FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
	the Business Office and deposited at year-end.	Lincoln Elementary School no longer have petty cash funds. The Business Office requests the petty cash fund custodians to annually reconcile should funds be needed over the summer months otherwise return the fund at fiscal year-end.
Accounts Payable	The Accounts Payable Clerk performs incompatible duties whereby she adds and makes changes to the vendor master file without a compensating control when the segregation of duties is not optimal.	Updated June 2012: The Business Manager reviews a bi-weekly change report from the accounts payable module to ensure that the changes appear to be reasonable and within the normal course of processing accounts payable.
	The District has not adopted a Board Policy regarding allegations of fraud.	Updated January 2022: The District has adopted Board Policy # 6651 – Fraud Policy in April of 2021.
	The Accounts Payable Clerk has the ability to add new vendors into the nVision system. Although the Business Manager and Claims Auditor review a change report, the Accounts Payable Clerk should not have the duty of adding new vendors.	Updated January 2022: Every two (2) weeks the District Treasurer generates a vendor change report from the nVision system. The vendor change report is reviewed and signed off by the Business Manager.
	The Accounts Payable Clerk stuffs and mail the accounts payable checks.	Updated January 2024: Although it is the Accounts Payable Clerk who handles the preparation of the signed checks for mailing, several levels of reviews and approvals (e.g., review and approval of purchase requisitions and purchase orders, review and approval performed by the District Treasurer and Claims Auditor) are required to be completed before a check can be written, signed, and released. Hence, we deemed the risk related to this issue to be low.
Payroll	<p>Certain review procedures performed to ensure the accuracy over payroll are not documented. This would include the review of:</p> <ul style="list-style-type: none"> • The 941; • The W-2; and • The reconciliation between the 941 and W-2 to the recorded payroll expenses. 	<p>Updated October 2008: The District Treasurer performs quarterly reconciliation between the 941 form and the general ledger. The 941 is signed by the District Treasurer to indicate that the process has been accomplished.</p> <p>The Business Manager performs an annual review of the 941 for completing the ST-3 form.</p> <p>The Business Office developed an operational procedure that outlines the responsibilities and identifying steps within processes that should be documented to</p>

FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
	Official channels of communication with the Internal Revenue Service (IRS) may not have been established at an appropriate level. These communications are made directly to the Payroll Clerk and the District Treasurer performing the payroll function.	provide an audit trail. Updated October 2008: The Business Office sent a letter to the IRS informing them to adjust their records to direct any correspondence to the Business Manager.
	The District should conduct a live payroll test at least once every year.	Updated October 2008: The District performs the following steps towards payroll distribution: <ul style="list-style-type: none"> • A sign-off list is printed by building from Finance Manager; • The Courier delivers the checks and sign-off lists to the head secretary at each building; • Each personnel must sign for their paycheck; • All completed sign-off lists are returned to the Business Office and kept on file. All paychecks that are not picked up are returned to the Business Office with the sign-off list; • There is a list of all paychecks that are mailed and kept on file (e.g., substitute teachers, coaches, rotating teachers, etc.); and • The Claims Auditor performs testing on twenty (20) personnel per month. The Claims Auditor traces back the personnel file and verify copy of driver's license, social security card, fingerprint clearance, etc.
	The Payroll Clerk was hired last year. The individual is new at performing the payroll function for districts which presents a risk due to the complex and manual process involved with the payroll function.	Updated June 2011: An internal audit was completed during the year, which included a formal report with recommendations for corrective action. No significant observations were noted during the audit.
	The District might prepay teacher salaries during the first (1 st) week of school. According to the Payroll Clerk, teachers are paid a half (½) pay check on September 1st and another half (½) paycheck on September 8th (conference day). Classes do not begin until September 5th after Memorial Day weekend. Teachers will then receive a full pay check on September 22nd. The	Updated June 2018: The District has considered revising the practice of prepayment but cannot modify the bargaining agreement. This has always been a past practice and the District does not wish to make these changes going forward.

FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
	prepayment of expenses is prohibited by NYS Municipal Law.	
	The individual who is cross-trained on the payroll process has not completed a payroll in a number of years.	Updated January 2024: The individual who is cross-trained on the payroll process completed payroll twice during the current year.
Affordable Care Act (ACA)	<p>New regulations under the Patient Protection and Affordable Care Act (PPACA) require employers, including school districts, to provide coverage to personnel working an average of thirty (30) or more hours a week or one hundred and thirty (130) or more hours a month. This includes substitute teachers or other substitutes in classified positions such as food service or transportation.</p> <p>Set to go into effect January 1, 2015, the regulations commonly known as "Obamacare" have districts looking for an effective way to track part-time personnel hours, particularly for substitute teachers, and determine eligibility for insurance benefits. Currently, Finance Manager does not offer the capability to track individual's daily hours worked.</p>	Updated June 2016: The District contracted with Amsure (3 rd party healthcare administrator) to assist and provide reasonable assurance that the District will be in compliance with the ACA measurement and reporting requirements. Additionally, the District established a position where an individual will be responsible for complying with ACA requirements.
Medicaid	The District does not provide "Under Direction Of" (UDO) or "Under Supervision Of" (USO) for providers that are not licensed for Medicaid reimbursement. Therefore, those sessions are not claimed for Medicaid reimbursement for services provided by one (1) speech therapist and five (5) social workers.	<p>Updated June 2016: The Pupil Personnel Services (PPS) Director cited that high caseloads does not allow the time necessary for the level of supervision to meet the School Supportive Health Services Program's requirements. Also, some special education services are provided in co-teaching settings which is not reimbursable for Medicaid.</p> <p>An audit of Medicaid was completed in February 2015 by the Internal Audit where the District provided a corrective action plan. The plan included a process to address this area of concern.</p>
Information Technology (IT)	Access to the network server that hosts the financial applications is not secured. We were informed that the door needs repair.	Updated October 2008: The District has replaced the door locking device. The keys have been limited to the IT Director and Manager, and the Building Supervisor.
	The backup process for the Finance Manager system has not been tested.	Updated May 2010: Finance Manager is now Citrix based and operates through BOCES. The backup process has been

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FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
		tested.
	The District does not have a written disaster recovery plan for its IT system.	Updated May 2010: The District has a disaster recovery plan whereby it has an agreement to use BOCES to process its financial functions. In addition, Finance Manager is now operated through Citrix and not from the District's server.
	The District has not developed a process to ensure printers and copy machines with hard drives are properly cleaned of sensitive data prior to disposal.	Updated June 2012: The District has a formal process for properly disposing of IT equipment with hard drives. In addition, the District receives a certificate from the vendor indicating that the process was adequately followed.
	The District does not have a formal disaster recovery plan.	Updated June 2013: The District has a formal disaster recovery plan that has been tested.
	The District's computers have not been configured to automatically lock down after a specified period of inactivity. Note: This is not an issue with Finance Manager (which has recently been updated to nVision).	Updated June 2016: The District's workstations are locked after fifteen (15) minutes of inactivity.
	The District's network does not require mandatory changes to password on a regular basis. Note: This is not an issue with Finance Manager (which has been recently updated to nVision).	Updated June 2018: All network passwords are required to be changed every one hundred and eighty (180) days. IT personnel will also notify personnel and send out periodic reminders if needed. The District's network requires password changes but nVision does not.
	No operational procedures have been developed for basic key IT functions.	Updated June 2018: The IT Department has developed operational procedures for key functions of operations.
	The District has hired a new vendor by the name of nrastructure to provide some of the services that were once provided by Capital Region BOCES Northeastern Regional Information Center. Additionally, we noted that the District is still currently undergoing the earlier stages of this transition. The introduction of a new vendor initially exposes the District to potential risk due to the nature of the transition.	Updated January 2019: After we interviewed the respective personnel and evaluated the IT processes, nrastructure has been able to adapt to the District's IT needs.
	We noted the following issues during the	Updated January 2019: We noted that the

FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
	<p>interview process with the IT personnel who are aware of and indicated that they are currently working to correct:</p> <ul style="list-style-type: none"> • The IT Department does not have good account management for user accounts. No profiles have been established based on job responsibilities and the IT Department does not know exactly what different access rights have been assigned to each individual. • The District does not have a formal acceptable user agreement for students and personnel. • The District does not use a guest internet access connection, as applicable. <p>The District has not developed a formal plan where personnel would know and understand their responsibilities to safeguard private information. In addition, the District has not developed a plan to respond if sensitive data becomes compromised.</p>	<p>IT Department has established good account management for users of the District's network.</p> <p>We also noted that the District is in the process of implementing a formal acceptable user agreement for both students and personnel. In addition, the District has created an acceptable user agreement form and instructs the personnel to sign at the time of hire.</p> <p>The District has also implemented a guest internet access connection where users are instructed to accept the terms and conditions prior to obtaining access.</p> <p>Updated January 2019: The District implemented a Technology Set Up Guide for administrators, teachers, and teaching assistants. The Technology Set Up Guide provides general information regarding network accounts, email accounts, password protection, protecting student personal identifiable information, and instructions on how to use PowerSchool. The IT Department strongly encourages personnel and students to be responsible users and to protect personal identifiable information.</p>
<p>Governmental Accounting Standards Board (GASB) 45</p>	<p>The District has off balance sheet liabilities with respect to its post-retirement benefits that it offers its retirees. This liability will need to be calculated under an accounting regulation known as GASB 45. This requires engaging an actuary to complete the computation. In addition, there are several steps the District will need to take to be ready to implement this accounting regulation in 2008 – 2009.</p>	<p>Updated May 2010: The GASB 45 reporting requirements were included in the June 30, 2009 financial statements. The District understands that this reporting requirement will continue each year.</p>
<p>Special Education</p>	<p>We noted from the June 2, 2014 Goldstar reports that no homeless students were reported during FY 2011/12 and FY 2012/13. According to the PPS Director, there were no homeless students during FY 2012/13 but there was one (1) homeless student in FY 2011/12.</p>	<p>Updated June 2016: The Homeless Liaison notifies the individual responsible for the System to Track and Account for Children reporting when a student meets the McKinney-Vento Homeless Act.</p>

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FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
<p>Lunch Program</p>	<p>Cash balances remaining in the cash lunch program cash registers is in excess of the amount authorized by the Board of Education.</p>	<p>Updated May 2010: The cash held for register start-up money is the property of the vendor who manages the District's lunch program, Chartwells Schools.</p>
	<p>The cashier start-up cash is owned by the Chartwells Schools, but each year the Board of Education approves the start-up cash. In addition, the start-up cash is comingled with the daily cash receipts, which belongs to the District.</p>	<p>Updated June 2014: Chartwells Schools maintains accountability of its start-up cash. At the end of the school year, the cash is returned to Chartwells Schools. In addition, the daily register cash collections are tracked and accounted for through Nutrikids, which is reviewed by the District Treasurer.</p>
	<p>For the year ended June 30, 2020, the lunch program had a deficiency of revenue to expenditures of \$4,377.</p>	<p>Updated January 2022: For the year ended June 30, 2021, the lunch program had an excess revenue of \$67,535.</p>
<p>Fixed Assets Accountability</p>	<p>The Board Policy # 6640 – Accounting of Fixed Assets and Inventories does not establish a dollar threshold for capitalizing fixed assets. Also, the policy has not been updated for many years.</p>	<p>Updated May 2010: The District has revised Board Policy # 6640 – Accounting of Fixed Assets and Inventories. The policy identifies \$500 as the threshold for capitalizing fixed assets. In addition, it also identified \$150 as the threshold for maintaining inventory of all electronic/technology related items.</p> <p>The District has adopted Board Policy # 6900 – Disposal of District Property, which provides guidance for the disposal of district property.</p>
	<p>The District does not conduct regular fixed asset inventory and detailed fixed asset records are not reviewed periodically by an appropriate person.</p>	<p>Updated October 2008: The District is in the process of completing an informal physical inventory. The purpose of the inventory was to identify assets that are reported but no longer exist or assets that have been moved from their latest reported location.</p> <p>The District has hired Questar III to perform a physical inventory in November 2008. In addition, the District has plans to implement an inventory verification process, whereby, each department will be provided a list of assigned items and they are required to verify and sign the listing accepting that the items exist as indicated. This is intended to be done at the school year-end and beginning.</p> <p>The District has implemented the inventory verification process and provided subsequent findings in a formal report to the Board of Education.</p>

FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
	The District does not have a procedure in place to track BOCES owned fixed assets.	Updated May 2010: The District accounts for and tracks BOCES owned fixed assets in AssetMax. The items are distinguished from district property by using BOCES asset tag numbers.
Fuel Inventory	Controls over gasoline and diesel fuels are weak. The District does not have a process in place that requires tracking, reporting and reconciling fuel usage on a regular basis. Access to the pump key is not secured and mileage input into the pump is not required. Also, access to fuel pumps is not monitored by surveillance cameras.	<p>Updated May 2010: An internal audit was performed during FY 2009/10. A report with management response has been submitted to the Audit Committee.</p> <p>The Transportation Department reviews daily vehicle usage reports for irregularities. In addition, monthly reports are provided to the Business Manager for review.</p> <p>The District is considering purchasing an upgrade to the electronic fuel system. The Transportation Department has performed some research on fuel programs along with the cost impact to the District.</p>
Tools, Equipment, and Supplies Inventory	The Transportation and Buildings & Grounds Departments maintain inventories that do not meet the criteria under Board Policy # 6640 – Accounting of Fixed Assets and Inventories to record inventory items but are desirable for personal use. Consequently, some of these district assets are not formally accounted for.	<p>Updated June 2011: Most of the Transportation and Buildings & Grounds Departments' tools and equipment are tracked and accounted for under the fixed asset program.</p> <p>The Transportation Department accounts for vehicle repair parts using the Transfinder program. The Head Mechanic records what repair parts are required for each repair. In addition, the Supervisor performs periodic parts and tools inventories during the year.</p> <p>The Buildings & Grounds Department account for tools and equipment with a value of \$150 or more under the fixed asset program. However, for those items under the threshold amount and may be desirable for personal use, the department maintains an inventory sheet of those items.</p>
Extraclassroom Activity Funds (ECAAF)	<p>It was noted that the advisors and treasurers who are responsible for ECAAF have not received formal training relating to NYS regulations within extraclassroom.</p> <p>The District does not provide to the Board of Education a quarterly report of receipts</p>	<p>Updated June 2011: The Central Treasurer provides training applicable to the NY State Education Department's Pamphlet 2 – "The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds" to all advisors. The Central Treasurer plans on meeting with each to give them more instruction, as necessary.</p> <p>Updated June 2012: The District provides quarterly extraclassroom reports to the</p>

FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
	and expenditures as required by the NYS Education Department's regulation.	Board of Education.
	We noted one (1) club, Class of 2017, that had a negative account balance of \$440.	Updated June 2016: As per the June 30, 2015 financial statements, the Class of 2017 had a balance of \$1,315.
	We noted during our review of the June 30, 2015 audited financial statements that there were five (5) clubs without financial activity. One (1) of which was the same club (one [1] at the High School) without financial activity for the entire year, which may be an indication that these are not bona fide clubs. Additionally, we noted that HS Amnesty was inactive for two (2) consecutive years.	Updated June 2017: Prior year clubs with no financial activity have been dissolved and the remaining funds were transferred into Student Senate per the Board of Education's approval.
	We noted that the Middle School extraclassroom clubs are not performing ticket reconciliations prepared for admission tickets sold at the door.	Updated January 2020: We noted that the Middle School extraclassroom clubs are now completing ticket reconciliations.
	We noted that the Middle School extraclassroom clubs are holding regular meetings but are not keeping adequate monthly meeting minutes. This information should be provided to the Middle School Central Treasurer or Building Principal at the end of each year.	Updated January 2020: We noted that the Middle School extraclassroom clubs are now keeping monthly meeting minutes.
	<p>After reviewing the most recent financial statements, we noted that the ECAF program at the Middle School has a miscellaneous account, which is used at the discretion of the principal but not maintained directly by students. The account is used to fund school activities and help students if they need financial assistance to participate in school events. The fund is accounted for and controlled by the Central Treasurer. Although good accountability and safeguarding of the funds are kept, the account is not technically an ECAF.</p> <p>Internal Audit identified this in a prior year risk assessment report. The District subsequently cleared the issue in June 2017. However, this has become a similar issue in FY 1819.</p>	Updated January 2021: According to the financial statements ending June 30, 2020, there is no longer a miscellaneous account being used at the Middle School as an extraclassroom account.
	It was noted that the Middle School	Updated January 2021: Middle School clubs

FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
	<p>extraclassroom clubs do not use inventory control logs or statements of profit and loss for goods purchased for fundraising events.</p>	<p>are now utilizing both profit and loss statements and inventory control logs consistently when applicable.</p>
	<p>We noted that there are numerous stale checks that were issued from the Middle School extraclassroom clubs. The ECAF Faculty Auditor noted some of these checks date years back.</p>	<p>Updated January 2022: The District has addressed most of the stale checks and has issued a stop payment on the checks and re-issued, as necessary.</p>
	<p>High School clubs are not submitting activity budgets at the beginning of the school year. This statement should be completed by the students of each club, when applicable, with the assistance of the Faculty Advisor.</p>	<p>Updated January 2023: Clubs at the High School are now submitting activity budgets at the beginning of the school year.</p>
Use of Facilities	<p>The District schedules and accounts for use of facility request information on a paper calendar.</p>	<p>Updated June 2014: The District implemented School Dude to schedule and account for facility usage by outside organizations.</p>
Transportation	<p>The Transportation Director reported that the transportation personnel take scrap metal to TA Predel & Co. Inc., receive cash for the scrap metal, then use the funds for various department purposes, which appears to have been a long-standing practice. The cash was not returned to the Business Office to be appropriately accounted for and deposited into the District's general fund. As a result, the District immediately performed the following corrective actions:</p> <ul style="list-style-type: none"> • The Transportation Director provided an envelope that included two (2) TA Predel & Co. Inc. receipts, cash, and goods purchase receipts to the Business Office. The District Treasurer and Internal Audit each performed a reconciliation of cash on hand and receipts and found that \$15.35 was unaccounted for. • The Business Manager immediately issued a letter to appropriate personnel notifying them that all scrap sales are to be stopped until there is a detailed review of the internal controls over the process and a new procedure has been implemented. • The Business Office instituted a 	<p>Updated June 2014: A formal procedure was implemented for the sale of scrap metal to TA Predel & Co. Inc. that is being followed by the Transportation and Operations & Maintenance Departments. In addition, after each delivery, TA Predel & Co. Inc. issues a check made payable to the District which is sent directly to the Business Office.</p>

FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
	<p>recycling procedure, which includes the use of a recycling receipt log. The purpose of the log is to record all scrap sales whereby they are confirmed by the Business Office to ensure the receipt is received intact. In addition, TA Predel & Co. Inc. has been asked to provide copies of any pertinent back-up paperwork involving any of its recycling transactions, to be forwarded along with the check for payment.</p> <ul style="list-style-type: none"> The Business Office contacted TA Predel & Co. Inc. to find out how many transactions occurred and the amount of cash that was collected by the District over the past year and prior years. However, the way in which TA Predel & Co. Inc. keeps its scrap sale records. it was unable to provide this detailed information. 	
	<p>The vehicle parts inventory is accessible to all of the Transportation Department's personnel. In addition, the building does not have camera surveillance.</p>	<p>Updated June 2014: The District built a storage room with shelving in the transportation garage for proper storage of parts and supplies. The room is kept locked with limited access to essential personnel. In addition, camera surveillance was installed on the building's exterior.</p>
	<p>ServiceFinder is capable of generating work orders, tracking each vehicle's maintenance requirements, and accounting for parts inventory levels but the process has not been fully implemented at this point. Currently, the mechanics complete a paper work order then provide the paperwork to the Transportation Office Assistant where it is then recorded in ServiceFinder. The mechanics are tracking each vehicle's maintenance requirements on an independent system which is not affiliated with ServiceFinder.</p>	<p>Updated June 2016: ServiceFinder has been implemented and is completely operational.</p>
	<p>The scrap metal is being disposed of under a shared cooperative maintenance service. It is not clear which scrap metal is coming off from each bus per the cooperative agreement. According to the Transportation Director, there may be instances where the District has not</p>	<p>Updated June 2018: The District has implemented a separate dumpster for the disposal of scrap metal. This would ensure that each district is recuperating the cost of its own scrap metal. The scrap metal is usually transported to T.A Predel & Co. Inc. The District will obtain a receipt and a check</p>

FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
	properly disposed of its own scrap metal.	is sent to the Business Office.
	The personnel who is responsible for assigning fuel keys and pin numbers has been out on medical leave. This has caused some internal issues within the Transportation Department. According to the Transportation Director, there have been instances where a personnel has had to use their fuel key and pin number to obtain fuel for other drivers.	Updated June 2018: The District has assigned another personnel who can assign fuel keys and pin numbers. The District has discontinued the practice of personnel sharing fuel keys and pin numbers to obtain fuel for other drivers.
	The District is not using a formal system to track and account for the transportation parts and supplies inventory. We noted that the District stopped entering parts and supplies in ServiceFinder at the beginning of 2019.	Updated January 2021: The District is utilizing the ServiceFinder system to track and account for transportation parts and supplies inventory. In the ServiceFinder system, there is an S that is noted to indicate the inventory is owned by the District. The District completed a full physical inventory in the summer of 2020. Each item that was noted in the inventory was recorded into the ServiceFinder system. The District hired a part time transportation personnel to enter parts into the system as they come in and remove parts from the system as they go out so the District will now be maintaining a perpetual inventory system. In addition, physical inventories will be held annually.
Operations and Maintenance (O&M)	The O&M Supervisor does not receive monthly fuel consumption reports from the Transportation Department to review for unreasonable transactions.	Updated January 2019: The O&M Department has access to obtain monthly fuel consumption reports. The department will review monthly fuel consumption reports throughout the year. The District has adequately addressed this area of concern.
	There is no formal accountability over desirable items in the O&M Department (tools and equipment). For example; district owned power tools are not tagged or accounted for in an inventory database. If these items do not meet the fixed asset threshold, they are not accounted for. This raises concern due to how desirable these items may be. Proper asset accountability begins with quality record keeping. Detailed property records help establish accountability and allow for the development of additional controls and safeguards. The accuracy and completeness of these records can also impact the various costs (insurance,	Updated January 2019: The District provided Internal Audit with a list of all district owned tools and equipment. In addition, the O&M Department will periodically update the list and send the information to the Business Office.

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FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
	replacement, etc.) associated with district owned assets.	
	The District is not using a formal system to track and account for the custodial inventory.	Updated January 2021: The District has implemented a formal process to track and account for the custodial inventory on an Excel spreadsheet. The spreadsheet is updated each time new inventory comes into the District and each time inventory is used.
Human Resources	The District's process for receiving fingerprint clearance is not clear that assures all clearances will be received by the personnel's start date.	Updated June 2018: The District receives fingerprinting clearance in less turnaround time than prior years. There are very few instances where the District will allow a personnel to start working prior to receiving clearance. In addition, BOCES is responsible for all fingerprint clearance for substitute teaching personnel.
	The District performs an annual rollover of accrued paid time off. The process is manual in that a clerk must enter the rules into the system based on each contract. There is no review of the entry upon completion.	Updated January 2024: The District provides the employees with their attendance statements once a year for their verification. The employees will review their respective attendance statements and will reach out to the Business Office for any concern, query and/or clarification in respect to the composition of their attendance statements.
Financial Reporting and Budgeting	<p>The District does not have the following documents posted on its website:</p> <ul style="list-style-type: none"> • Most recent annual external audit report and the corrective action plan; and • Any final audit report issued by the NYS OSC. 	Updated January 2019: We noted that the most recent annual external audit report and corrective action plan prepared in response to any findings and the final audit report issued by the NYS OSC were available on the Districts website.
	As per the Board Policy # 6150 – Budget Transfers, only the Superintendent is permitted to make budget transfers. We noted that the Business Manager is making the transfers.	Updated May 2010: Board Policy # 6150 – Budget Transfers was revised to authorize the Business Manager to make budget transfers between line-item accounts. These transfers are presented to the Superintendent and the Board of Education on a monthly basis.
	At the time of the risk assessment the District did not have posted on its website the most recent financial statements ending June 30, 2021.	Updated January 2023: The District has posted on its website the most recent financial statements.

FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	CORRECTIVE ACTION
Banking	The amount of funds to be transferred via a wire transfer was either missing from Board Policy or the approved reorganizational meeting minutes.	Updated January 2020: The District has updated Board Policy # 6615 – Online Banking Services to include the amount of funds to be transferred via wire.
Claims Auditing	<p>We have noted that it is the Claims Auditor who prepares the District's bank reconciliation statements.</p> <p>The Business Office is trying to segregate duties and have an individual who is independent to perform this function.</p>	<p>Updated January 2024: The District has determined to accept the risk of having the claims auditor perform a business office function.</p> <p>The District's position is that the Treasurer reviews and prepares the treasurer reports while the Business Manager signs off on the bank reconciliation also. The Claims Auditor has no access to nvision cash receipt or disbursement functions and does not physically touch cash or checks coming in. Additionally, the external auditor is fine with this process.</p>