

*Oneonta City School District
Finance/Audit Committee Meeting Minutes
May 16, 2023*

The meeting began at 3:35pm.

Members Present: Lisa Weeks, Business Manager; Tom Brindley, Superintendent;
Amy Burnsworth, Board of Education;
Others Present: Coleen Moore, Director of Curriculum & Instruction
Members Absent: Shawn Beckerink, Board of Education; Sue Kurkowski, Board of
Education

Internal Controls Risk/Assessment Audit with District Response-(See attached) The required annual audit/update was performed by Cwynar, Farrow & Locke, CPA's. The district is required to continue to contract for this risk assessment audit since we have over 1,500 students. Once approved by the Board, this will be submitted to NYSED.

ARP Fund/Grant Amendments-The district continues to evaluate the American Rescue Plan funds, expenditures to date, and planned uses. Amendments are submitted as appropriate. The latest amendment included Smart Sensors for our rest rooms. Just a reminder that all of this information is posted to our website.

Transportation Issues-We noted the unusually high DOT bus failure rate. There was discussion that this is becoming common in multiple districts that have a certain new DOT inspector.

Since we've added many new, special transportation routes, it may be in the districts best interest to file the non-allowable pupil decimal for this year to account for the significant changes and route additions. This is not a required submission year for OCS D.

Additionally, at this point in time, we do not have a sufficient number of vehicles or drivers and are borrowing from other terminals. With the addition of multiple special transportation arrangements, we should look into contracting with parents, as well as purchasing another mini-van rather than a full size bus in the future.

The district should start looking into Child Safety Zones. This would likely make more students eligible for transportation which would generate aid.

Chartwells Reports-We discussed the profit and loss statement from Chartwells. This committee should be reviewing on a regular basis.

Food Service Bid-Our contract is up for bid in 2023-24. The business office is currently working on putting this bid together. When reviewing the bid document, it was noted that there is language regarding expectations, options and quality of meals served. Moving forward, the district should make sure the expectations are clear and that we are enforcing these expectations with our Management Service and our Food Service Contractor.

Review of Financial Memorandum-We reviewed the Financial Memorandum for the May 17th Board of Education meeting. Included is our Fund Balance Reserve Plan, multiple rental agreements for space at Center Street, preventative maintenance agreements, budget transfers and amendments, and our 2021-22 Risk Assessment Audit with district response included.

Fund Balance Reserve Plan Update- The Reserve Plan is on the May 17th agenda for review and approval. This is an annual update which includes all of our reserve funds, when they were established, the purpose of the fund, balance and the plan for the reserve. We have added the Capital Reserve, which we are hopeful, will be approved by our voters on May 16th. Once this plan is approved by the Board, this update will be posted to our website.

Long Range Finances-This is just a reminder that we have had a significant increase in our Foundation Aid, to finally make the district whole according to the formula. We should not expect significant increases in the future. This coupled with the ending of the stimulus funding will need to be considered when developing our future spending plans as we will not have this significant influx of funds. We are using the Foundation Aid increase to shift some of our support positions created with stimulus funding into our general funding. These positions include Curriculum Coordinator, Psychologist, Social Worker and AIS Teachers. We have also added a Vice Principal.

Other Discussion:

Finance Committee Meeting Schedule-Moving forward, beginning with the 2023-24 schedule, it was recommended that the Finance Committee meet at 5:15 just prior to a scheduled board meeting. This will hopefully make it a more convenient time for Committee members to attend, since there is already a meeting scheduled.

Extracurricular Clubs-We briefly discussed the process for new clubs to form, and be recognized as a club. This request should begin with the OTA.

Our meeting ended at 4:02pm.
Next meeting: June 6, 2023; 3:30pm
Location: Business Office, Center Street

Respectfully submitted,

Lisa J. Weeks

Business Manager

**Oneonta City School District
Finance/Audit Committee Meeting
May 16, 2023; 3:30pm
Business Office**

AGENDA

Internal Controls/Risk Assessment Audit with Response

ARP Funds-Grant Amendments

Transportation Issues

Chartwells Reports

Food Service Bid

Financial Memorandum

Fund Balance Reserve Plan

Long Range Finances

BOCES Embedded Content Specialist

55,770
25,350

81,120

De escalation room flooring -MS

Commercial washer/dryer

ONEONTA CITY SCHOOL DISTRICT
FINANCIAL MEMORANDUM #2023-08
May 17, 2023

TO: THOMAS F. BRINDLEY
SUPERINTENDENT OF SCHOOLS

FROM: LISA J. WEEKS
BUSINESS MANAGER

DATE: May 17, 2023

RE: FINANCIAL MEMORANDUM #2023-08

1. **Fund Balance Reserve Plan** Action Item (To Approve)

Resolved, upon the recommendation of the Superintendent, to approve the Fund Balance Reserve Plan, as presented.
2. **Rental Agreement-Otsego County (Tenant)** Action Item (To Approve)

Resolved, upon the recommendation of the Superintendent, to approve the rental agreement with Otsego County for space at 31 Center St for the 2023-2024 school year, as presented.
3. **Rental Agreement- Durham School Services (Tenant)** Action Item (To Approve)

Resolved, upon the recommendation of the Superintendent, to approve the rental agreement with Durham School Services for space at 108 Silas Lane for the 2023-2024 school year, as presented.
4. **Rental Agreement- Roxbury Central School (Tenant)** Action Item (To Approve)

Resolved, upon the recommendation of the Superintendent, to approve the rental agreement with Roxbury Central School (CROP) for space at 31 Center St for the 2023-2024 school year, as presented.
5. **Rental Agreement- Oneonta YMCA (Tenant)** Action Item (To Approve)

Resolved, upon the recommendation of the Superintendent, to approve the rental agreement with The Oneonta YMCA (Childcare Program) for space at 31 Center St for the 2023-2024 school year, as presented.

- | | | | |
|-----|--|---------------|--------------|
| 6. | Athletic Field Maintenance Bid | Action Item | (To Approve) |
| | <i>Resolved, upon the recommendation of the Superintendent, to award the Athletic Field Maintenance for 2023-2024 school year to the lowest responsible bidder meeting specifications, Turfgrass Technologies: \$46,000.00.</i> | | |
| 7. | Budget Amendment-Middle School Textbooks | Action Item | (To Approve) |
| | <i>Resolved, upon the recommendation of the Superintendent, to approve the budget amendment for Middle School Textbooks for \$37,885.00, as presented.</i> | | |
| 8. | Trane: HVAC and Pool Pak Service Agreement | Action Item | (To Approve) |
| | <i>Resolved, upon the recommendation of the Superintendent, to approve the service contract with Trane for the 2023-2024 school year in the amount of \$16,083.00 for the HVAC and Pool Pak for the HS/MS complex, as presented.</i> | | |
| 9. | Budget Transfers (over \$10,000) | Action Item | (To Approve) |
| | <i>Resolved, upon the recommendation of the Superintendent, to approve the budget transfers in the amount of \$188,920.11 according to the Board of Education Policy no. D.12, as presented.</i> | | |
| 10. | Budget Transfers (under \$10,000) | Informational | |
| | <i>Resolved, upon the recommendation of the Superintendent, to accept the budget transfers in the amount of \$78,060.97 according to the Board of Education Policy No. D12, as presented.</i> | | |
| 11 | 2021-2022 Risk Assessment Audit and District Response | Action Item | (To Accept) |
| | <i>Resolved, upon the recommendation of the audit committee, that the risk assessment audit and response for fiscal year 2021-2022 be accepted, as presented.</i> | | |

**ONEONTA CITY SCHOOL DISTRICT
FUND BALANCE RESERVES
APRIL 25, 2023**

RESERVE NAME	PURPOSE	WHEN ESTABLISHED	WHY ESTABLISHED	INITIAL DEPOSIT	CURRENT VALUE	WHAT IS OUR PLAN?
Reserve For:						
Unemployment Insurance	Pay NYS for unemployment claims-self funded	2010-2011	We are self funded. Reduced state aid, tax cap and restructuring prompt lay offs.	\$50,000	\$156,799	We are self funded for unemployment claims. There is \$9,200 budgeted in 2023-24, down from \$10,000. Our budgeted payroll is over \$19M. District has over 300 employees. This reserve will allow stabilization of budgeted expense if district has claims no longer covered by Federal Government Stimulus Funding.
Encumbrances						
Amount as of June 30th, for orders or obligations related to that budget year for which we have not yet received service or invoice.						
Tax Certiorari	Pay judgements and claims in tax certiorari proceedings	2010-2011	Response to judgement for multiple retroactive years, which placed a significant burden on our general fund as it was not anticipated or budgeted for.	\$150,000	\$118,742	Adjusted annually to equal potential claim liability of known proceedings. Reviewed regularly in Finance Committee. Potential claims as of 04/25/2023 = \$244,271.
Employee Benefit Accrued Liability	Pay accrued benefits due to employees upon termination (retirement) for vacation, sick, personal, incentive	2004-2005	At that time, spending was exceeding revenues. Big hit to the budget if not planned for and set aside. Value of compensated absence as of 06/30/22, \$2,224,544.	\$200,000	\$729,577	Used \$52,069 in 2019-20. We budget \$130,000 annually, but actual expenditures have been greater (in excess of \$500K/yr). District has recently seen a higher number of retirements than usual. As necessary, reserve will be liquidated if budget cannot handle claim in any given year.
Repairs	To pay for certain repairs to capital improvements or equipment, that do not recur annually or at shorter intervals.	6/30/2017	To fund needed repairs that are not eligible for building aid such as roofing, paving and concession stand repairs.	\$ 750,000	\$ 293,837	Public hearing was held on April 6, 2022 to discuss repairs for pavement and grounds safety issues at VV, RS and MS/HS. Board will revisit other non-aidable but necessary repair work moving forward.
Capital Reserve for Future Project	Cost of any object or purpose for which bonds can be issued. This can be facility construction, buses, major equipment.	Not yet established. The May 2023 ballot includes a proposition to establish this reserve up to \$5M	To prepare for projects that are necessary but may not be eligible for state aid and to offset taxpayer impact of project cost.	Proposition presented to the voters is to fund up to \$5M to offset local taxpayer costs	\$ -	District will perform required Building Condition Survey in 2024, which will be basis for Capital Project. We know that district roofing needs attention. This reserve can be established with funding only when/if funds are available.



What's the Plan?

by Brady Brucato, Senior Advisor, Business Analytics, Frontline Education

It seems every year new challenges arise for school leaders to manage and the next few years will be no different. If the state legislature agrees to the final phase-in of Foundation Aid this spring, school districts will see one of the largest increases in Foundation Aid ever. This historic increase coupled with remaining ESSER funds offers a large influx of funding for school districts in the near term. Yet due to the temporary nature of these funds, (ESSER expires in 2024 and Foundation Aid will most likely level off come 2024-25), districts should use caution as they plan ahead. Staffing shortages, economic uncertainty and declining enrollment are also applying pressure and complexities to the budget process. By proactively establishing a financial plan that looks beyond the upcoming year, you can position the district for success.

Enrollment

Enrollment is the key driver when it comes to planning for a district's future as nearly all decisions school leaders make are in some way related to student enrollment. The National Center for Education Statistics (NCES) predicts public school enrollment will decline 4% over the next ten years. In New York State, the projection is even lower with it decreasing 8% as birthrates decline and families migrate out of the northeast.

It is important to understand how these trends impact your district to enable viable strategic planning. By conducting regular enrollment projections, you'll have a pulse on future enrollment trends and be able to make more informed decisions when it comes to instructional programming, staffing, equipment purchases, transportation, and nearly all other aspects related to the school district. By using a cohort survival model (Figure 2), you'll gain insight into not only the incoming kindergarten class, but also future student enrollment by grade as students move in and out of the district.

Enrollment projections are also critical in estimating revenue as enrollment is used in various state and federal aid calculations. Where enrollment is declining, consider how this may impact expense-based aids and grant dollars. While the state's Foundation Aid payout has historically included a hold harmless provision to protect districts against revenue reductions caused by declining enrollment, the provision is not in permanent statute and future adjustments to the formula could change how enrollment data is factored in. To assist in your analysis, reviewing historical enrollment data can help you to identify trends in student counts and the impact those trends have had on staffing and support decisions.

Figure 1. Projected percentage change in public elementary and secondary school enrollment, categorized into specific ranges, by state: Fall 2020 to Fall 2030¹

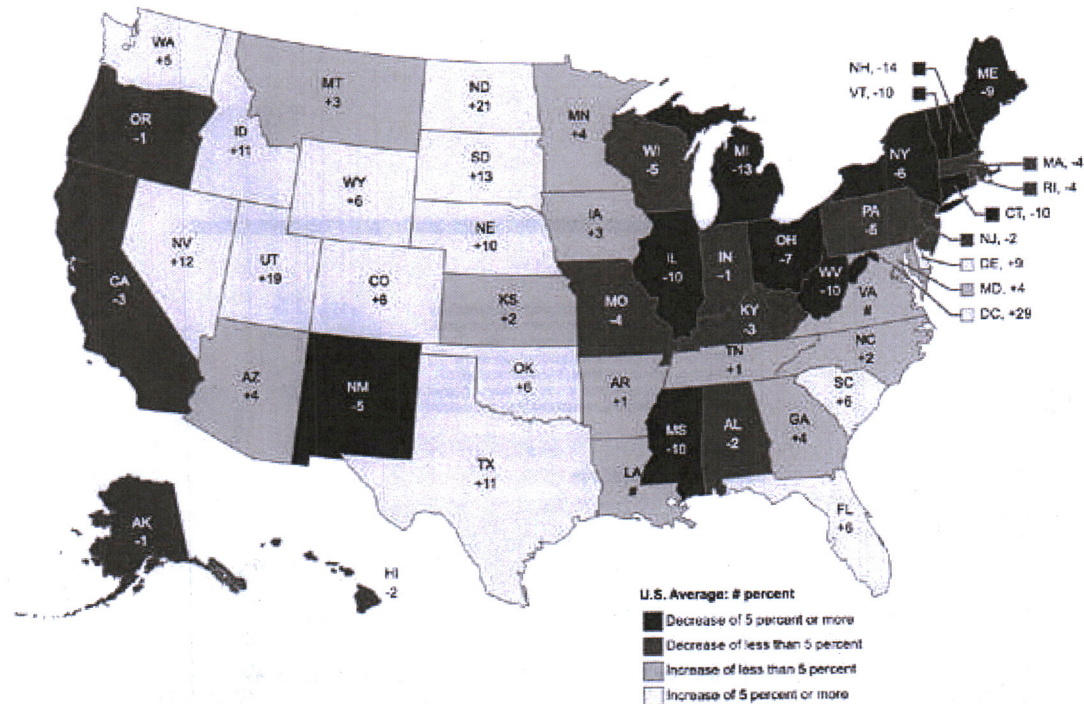
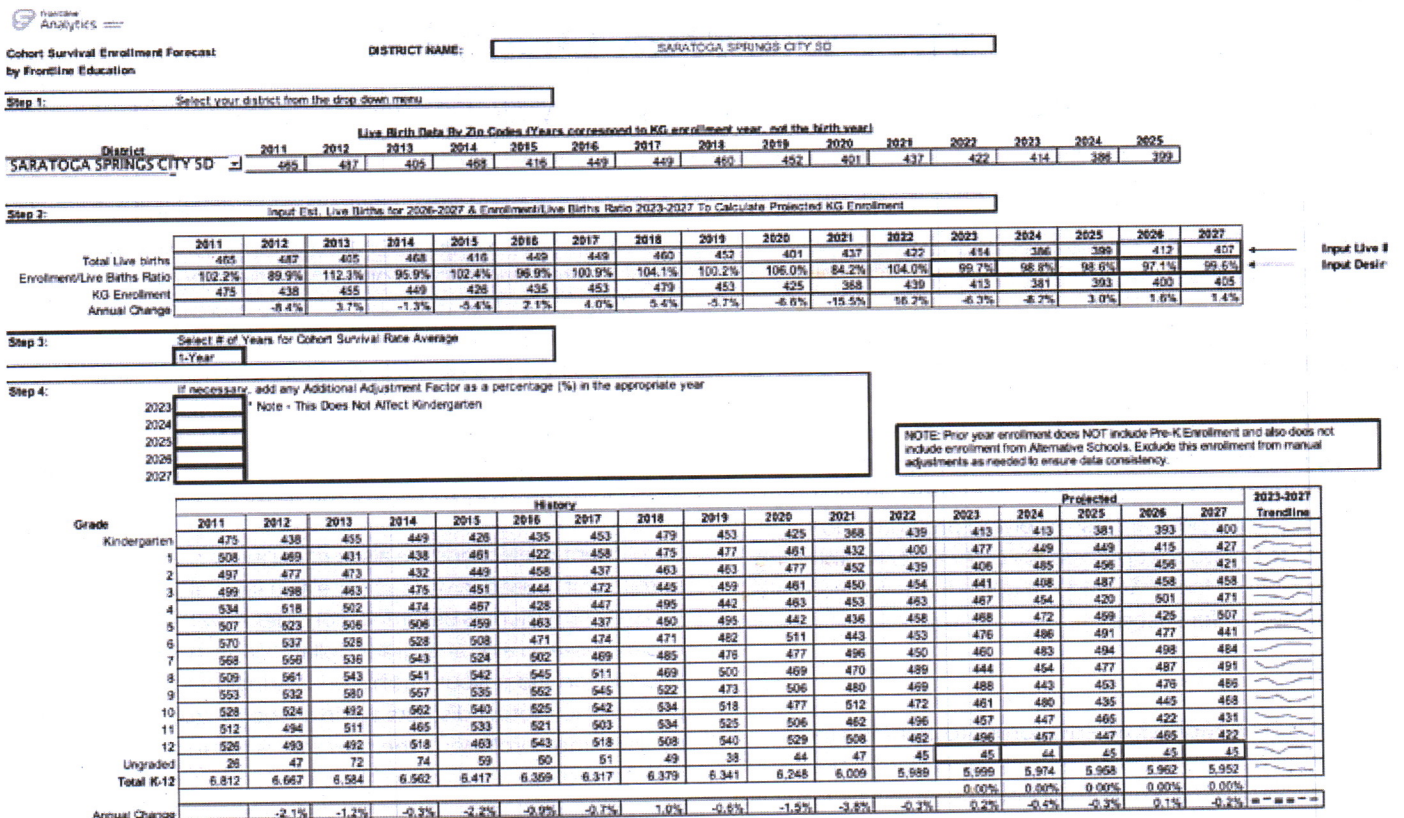


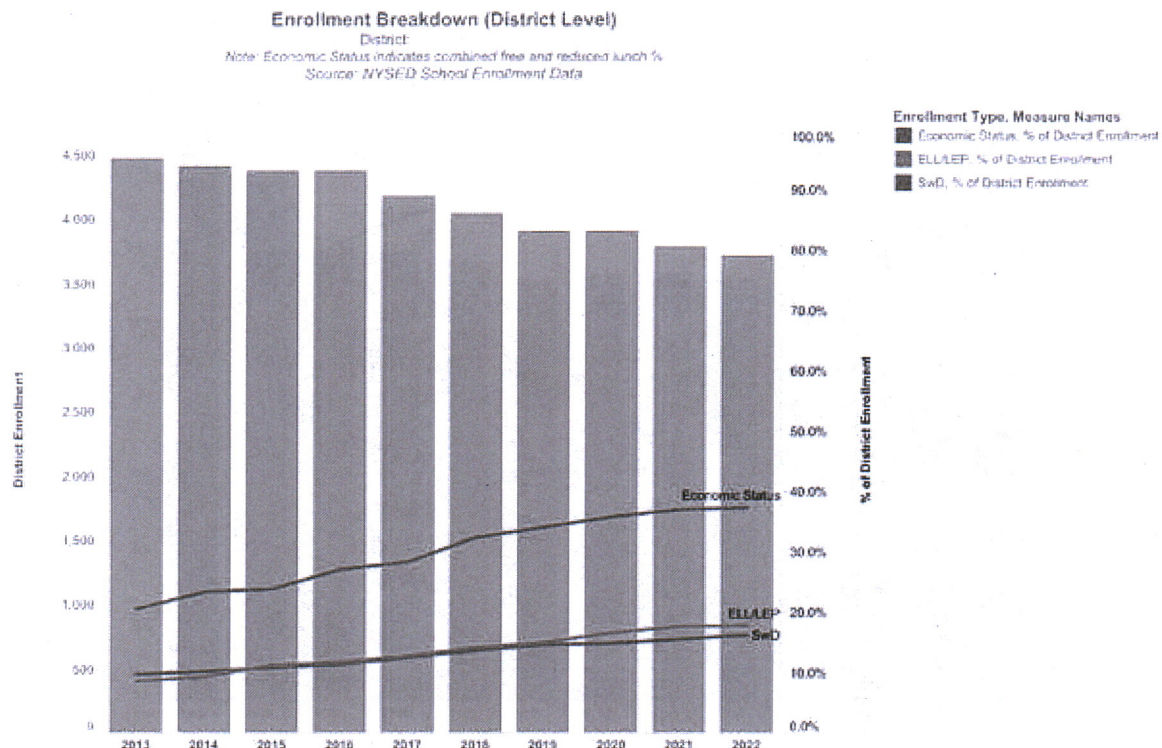
Figure 2. Frontline Education Cohort Survival Enrollment Projection Tool



Cohort survival models utilize historical enrollment and live birth data to capture the effects of in and out-migration, housing changes, and natural trends in population to project future student counts by grade.

¹National Center for Education Statistics. (2022). Public School Enrollment. Condition of Education. U.S. Department of Education, Institute of Education Sciences. Retrieved from <https://nces.ed.gov/programs/coe/indicator/cga>.

Figure 3. Frontline Education Enrollment Breakdown by Type (Economic Status, ELL/LEP, SWD)



Trends in student enrollment and demographics can help districts reprioritize for the future.

As you review the information, consider analyzing student demographic data to gain insight into how student populations are changing. This information can help the district understand if they need to shift priorities to best address their student needs.

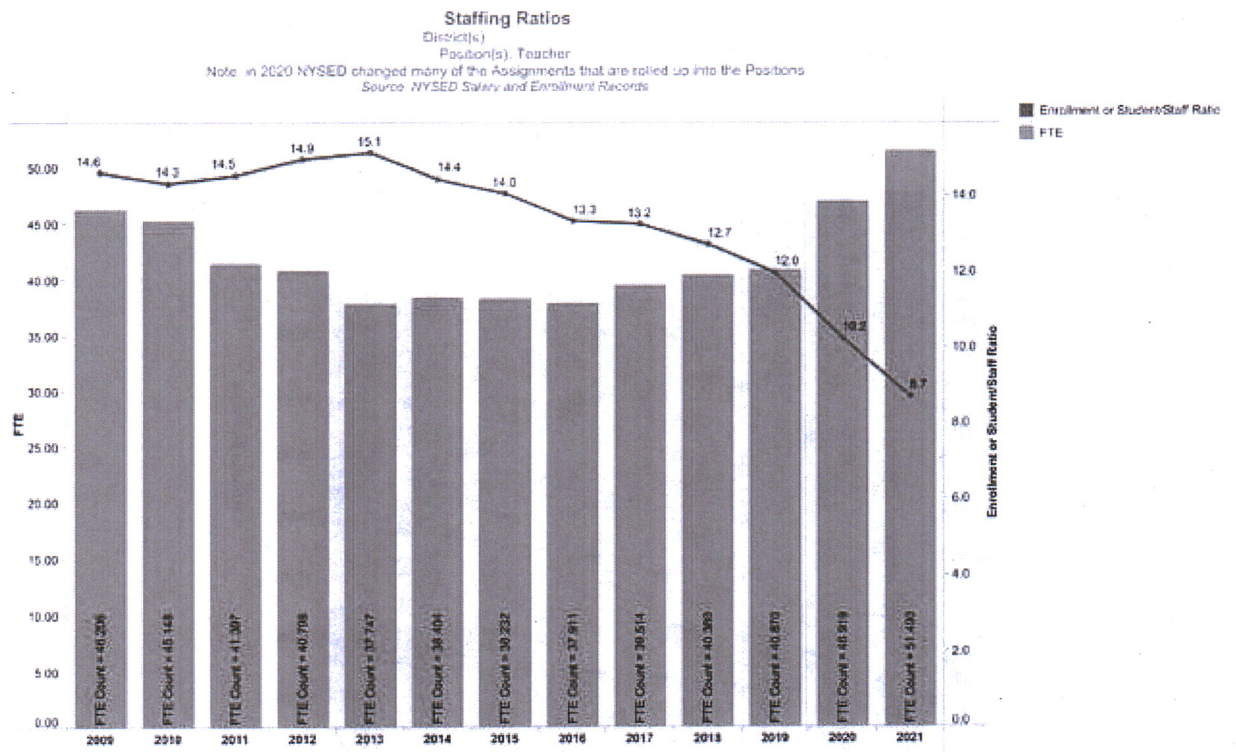
Labor Shortages

The labor shortage has caused concern for school leaders across the country in finding qualified staff to fill vacancies. This, coupled with increases in new positions brought on by the pandemic and early retirements has exacerbated the problem. In an attempt to attract talented employees, districts are going to great lengths to stay competitive among their peers. As you strategize recruiting and retaining efforts, be mindful of the impact salary and benefit costs have on district finances long-term. With these costs making up the majority of the school's budget, annual cost of living increases and salary increments alone can add up quickly. Instead, you may want to consider using up remaining ESSER funds for stipends that can be offered to existing staff to cover shortages or issue service contracts. As staff retire, determine the need for filling their positions as there could be an opportunity for significant savings to the district that can help avoid drastic cuts later. Refer to student-to-teacher ratios to see if efficiencies exist.

ESSER Fiscal Cliff

In response to the COVID-19 Pandemic, the federal government allocated a historic \$190 billion to school districts across the country through three ESSER funding packages. Each package came with its own deadline for districts to obligate funds where spending decisions for ESSER I (\$13.5 billion) funding were due September 30th of 2022. The deadline to lock in spending decisions for ESSER II (\$54.3 billion) funding is coming up this September 30th and ESSER III (\$123 billion) is due September 30, 2024. With the clock ticking, there's a nationwide concern over if and how the remaining funds will be spent. Many districts were slow to spend these funds upfront because of the excessive red tape surrounding the application process and finding qualified staff and vendors to support appropriate funding-related expenses. This leaves the bulk of the funding remaining to be spent in a very short timeframe, which presents challenges for school leaders as they determine how to spend the money in ways that reap the most benefit for students without committing to ongoing costs. As the window for action narrows, districts will want to use this time to develop a spending strategy that not only considers the expiration of the federal funding, but also accounts for what may be occurring simultaneously with other revenue streams. The same year the federal relief ends, Foundation Aid could level off as the unprecedented 2023-24 increases in aid are unlikely to continue.

Figure 4. Frontline Education Staffing Ratios Analytic for Teaching Positions



Monitoring student-to-staffing ratios can help identify potential efficiency opportunities for school districts. Instances where trendlines don't align may indicate a need for restructuring.

Figure 5. Historical Basic Formula Aids

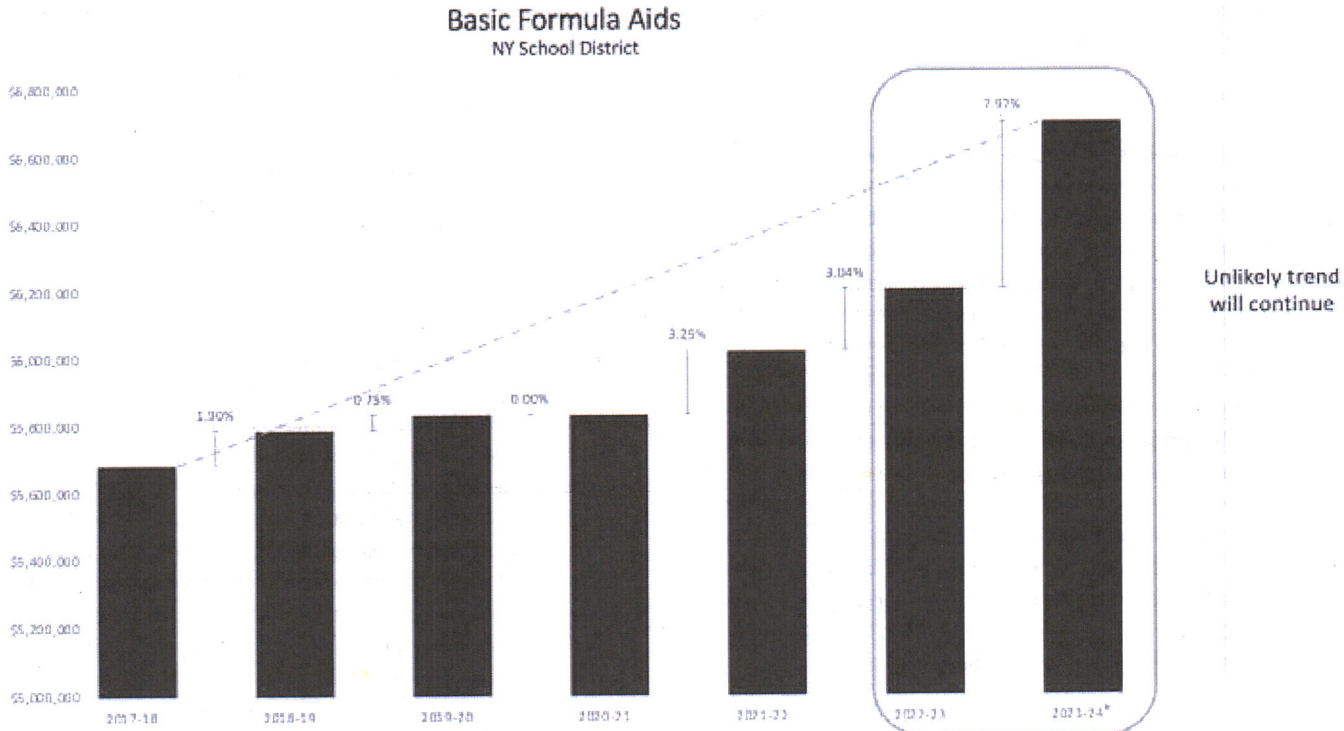
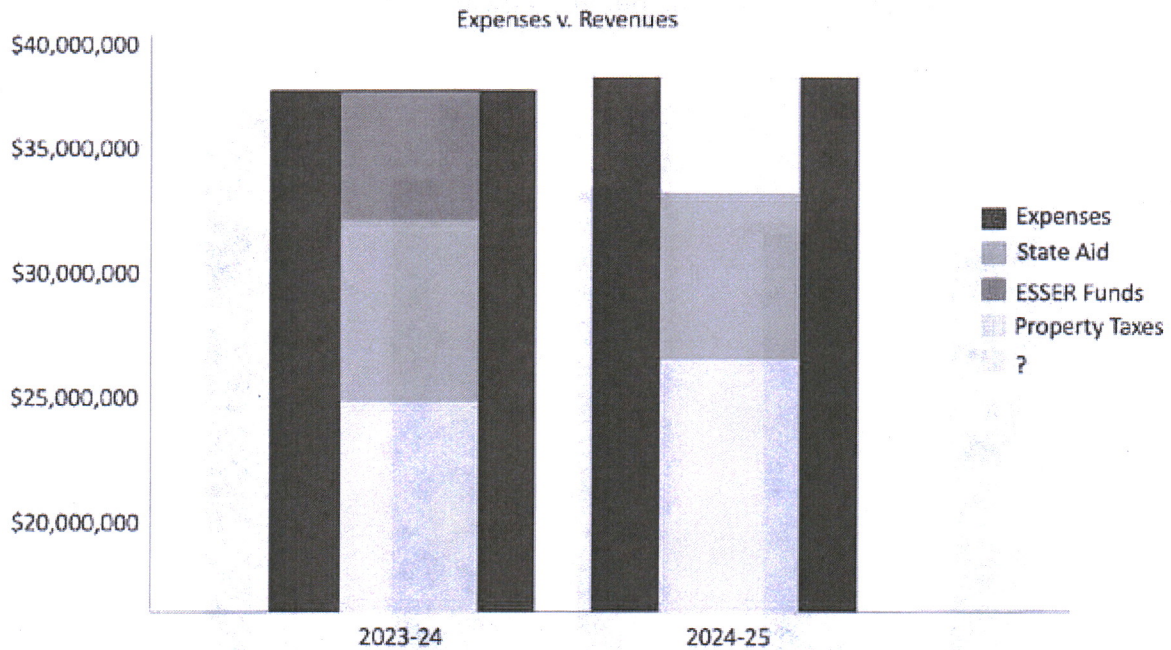


Figure 6. Expense v. Revenues



What is your plan for 2024-25 and beyond? With ESSER funds expiring in 2024-25 and Foundation Aid potentially leveling off that same year, are you reducing expenditures or filling that void with tax increases, fund balance & reserves or a combination of all the above?

Build a forecast that excludes the federal funding after next year and consider using a state aid projection that's more in line with historical trends. Keep a close eye on the state economy to assist further with future state aid projections, as well as the national economy to monitor the CPI that is used in the tax cap calculator. The allowable levy growth factor of 1.02 that has been used the last two years is a ceiling. Deflation will cause this to drop, as low as 1.00, which lowers your tax cap. This forecast can quickly show how little the district can control in revenue generation and how critical the tax-payer dollar is today and in the future.

Foundation Aid

In February, Governor Hochul released the 2023-24 Executive Budget which included her commitment to fulfilling the state's longstanding promise to fully phase-in Foundation Aid. Due to high inflation, this historic commitment equates to a 12.8% (or \$2.7 billion) increase in aid. If the legislature approves it, the additional funding could help relieve many of the pressures outlined in this article, among others. But the increase should be considered a one-time influx of funds and not thought of as a revenue source that will continue to grow at the same rate each year. Instead, districts should plan conservatively with the aid's projections moving forward and avoid overcommitting to ongoing costs. In addition, districts will want to keep an eye on Foundation Aid reform and consider how updates to the formula could impact future payments as advocates are pushing for a much-needed formal review of the formula which

could lead to changes in how both student and wealth factors are used in the calculation. Evaluating district factors used in the aid formula (ie. adjusted gross income per total wealth pupil unit), especially post-pandemic, will assist in your analysis.

Tax Levy

According to the NYS 2022 Primer, school districts receive revenue from three main sources where 38% of school funding comes from state aid, 59% comes from local revenue and 3% comes from federal aid. Over the last several years, the state's share has shifted to school districts, adding more pressure for districts to raise funds locally. Yet, the state's property tax cap limits districts' ability to levy and requires education of the board and community members to understand the value of the local dollar.

Perhaps created with good intention to limit the annual growth in property taxes that were once growing out of control, the cap calculation inadvertently negatively impacts districts' ability to raise funds locally. The law limits the growth of property taxes levied to 2% or the rate of inflation, whichever is less. In a year like last year where inflation hit a 40-year high at 8%, though district costs were going up, tax revenues were restricted to 2%. Additionally, the calculation has no floor so if a district's calculation results in a negative, a district would need a supermajority vote to essentially decrease their tax levy. These limitations put additional pressure on districts to closely monitor and manage the tax levy drivers within their control. For example, since the implementation of the cap, capital planning

Figure 7. Adjusted Gross Income Per Pupil (AGI/TWPU)

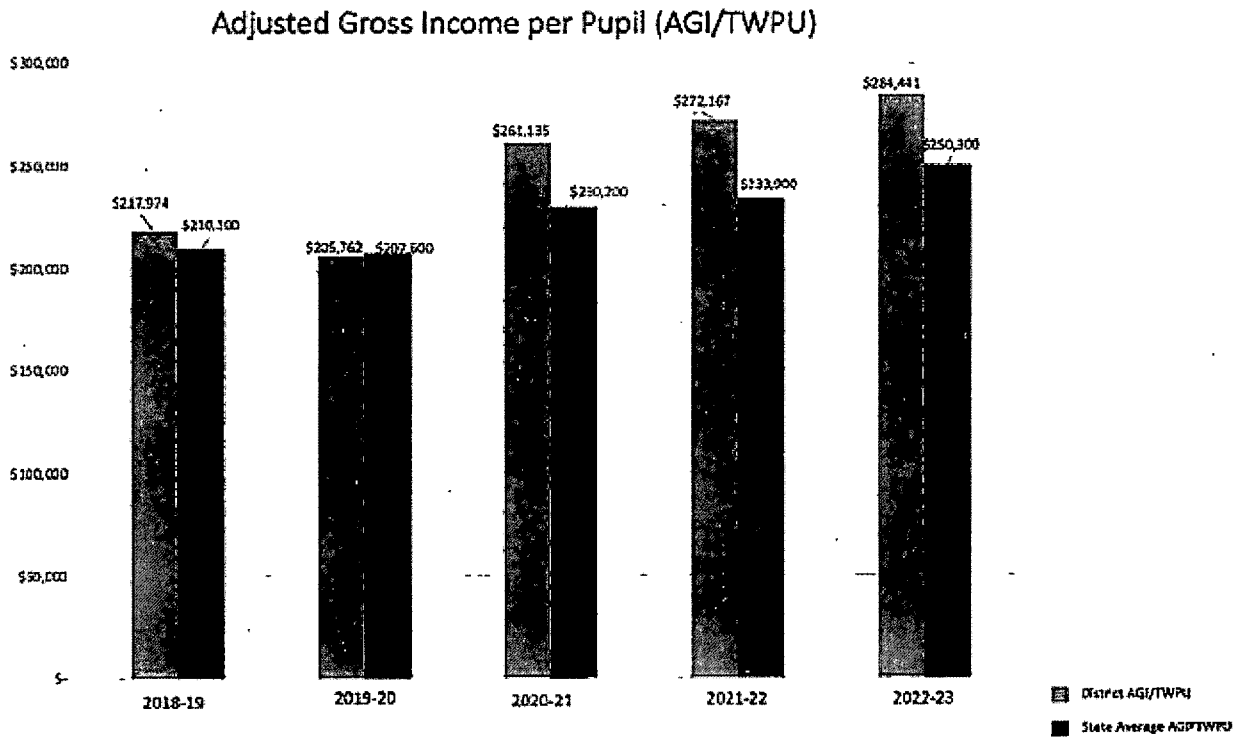
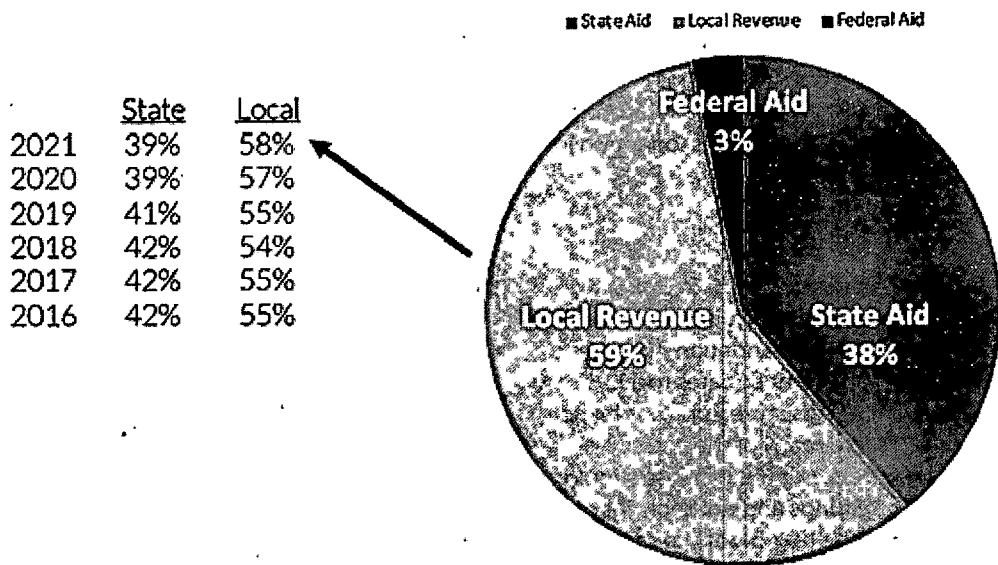


Figure 8. 2022 School Funding Sources. NYS 2022 (and prior) Primer on State Aid to School Districts



Source: NYS 2022 Primer on State Aid to School Districts

Figure 9. Multiyear Tax Cap Calculation

Tax Cap Calculator Results Report					
Scenario: Levying to 2% first year	PROJECTIONS				
	2024-25	2025-26	2026-27	2027-28	2028-29
Tax Levy Limit Before Adjustments and Exclusions					
Prior FYE Tax Levy	\$42,756,500	\$43,611,630	\$44,210,481	\$44,993,574	\$45,803,098
Tax Cap Reserve Plus Interest from Two Years Ago Used to Reduce Previous Year	\$0	\$0	\$0	\$0	\$0
Total Tax Cap Reserve Amount (including interest earned from Prior FYE)	\$0	\$0	\$0	\$0	\$0
Tax Base Growth Factor	1.0197	1.0197	1.0197	1.0197	1.0197
PILOTS Receivable from Prior FYE	\$0	\$0	\$0	\$0	\$0
Tort Exclusion Amount Claimed in Prior FYE	\$0	\$0	\$0	\$0	\$0
Capital Levy for Prior FYE	\$3,855,420	\$4,560,109	\$4,391,013	\$4,390,980	\$4,401,950
Allowable Growth Factor	1.0200	1.0200	1.0200	1.0200	1.0200
PILOTS Receivable for Current FYE	\$0	\$0	\$0	\$0	\$0
Available Carryover from Prior FYE	\$0	\$0	\$0	\$0	\$0
Total Levy Limit Before Adjustments and Exclusions	\$39,666,275	\$39,819,468	\$40,602,594	\$41,401,148	\$42,215,430
Exclusions					
Tax Levy Necessary for Expenditures Resulting from Tort Judgements Over 5%	\$0	\$0	\$0	\$0	\$0
Capital Levy for Current FYE	\$4,560,109	\$4,391,013	\$4,390,980	\$4,401,950	\$4,489,025
ERS contribution increase greater than 2%	\$0	\$0	\$0	\$0	\$0
TRS contribution increase greater than 2%	\$0	\$0	\$0	\$0	\$0
Total Exclusions	\$4,560,109	\$4,391,013	\$4,390,980	\$4,401,950	\$4,489,025
Tax Levy Limit, Adjusted For Transfers, Plus Exclusions	\$44,226,384	\$44,210,481	\$44,993,574	\$45,803,098	\$46,704,455
Total Tax Cap Reserve Amount Used to Reduce Current FYE Levy	\$0	\$0	\$0	\$0	\$0
Current FYE Proposed Levy, Net of Reserve	\$43,611,630	\$44,210,481	\$44,993,574	\$45,803,098	\$46,704,455
OR Current FYE Proposed Levy, Net of Reserve %	0.00%	0.00%	0.00%	0.00%	0.00%
	2024-25	2025-26	2026-27	2027-28	2028-29
CURRENT FYE PROPOSED LEVY, \$ entry	\$43,611,630	\$44,210,481	\$44,993,574	\$45,803,098	\$46,704,455
CURRENT FYE PROPOSED LEVY, % entry	\$0	\$0	\$0	\$0	\$0
CURRENT FYE PROPOSED LEVY, NET OF RESERVE %	2.000%	1.373%	1.771%	1.799%	1.968%
TAX LEVY LIMIT %	3.438%	1.373%	1.771%	1.799%	1.968%
DIFFERENCE BETWEEN TAX LEVY LIMIT AND PROPOSED LEVY	\$614,754	\$0	\$0	\$0	\$0
YEAR OVER YEAR CHANGE IN CURRENT FYE PROPOSED LEVY	\$855,130	\$598,851	\$783,093	\$809,524	\$901,357

Use a multiyear forecast to weigh current year decisions and monitor controllable tax levy drivers.

now has another strategic component to it: how will new debt and the timing of Building Aid affect the tax cap? Creating a multiyear tax cap calculation forecast can help you maintain a steady tax cap which is important for both taxpayers and the district in managing budgets. The projection offers insight into areas within the district's control such as the capital exclusion (is it fluctuating or remaining constant?) and illustrates how decisions made today impact future year calculations.

Conclusion

With these potential challenges in mind, it is important for district leaders to plan now to mitigate the risk for programmatic or personnel cuts and avoid using reserves, fund balances and tax increases to balance a budget. A multi-year financial plan helps districts navigate these complexities with confidence and clarity, while connecting financial investments to strategic goals. ◀

ABOUT THE AUTHOR

Brady Brucato is a Senior Advisor at Frontline Education where she assists districts across NY state in making data-driven decisions. She is a financial professional with 14 years' experience in school finance; previously working as a State Aid Planner at Questar III BOCES and as the Deputy Director of Government Relations & School Services at ASBO NY. Brady is passionate about her work in education and is a lifelong learner. She holds an MBA and SDBL certification. Brady resides with her husband John and son Beau in Sandy Hook, CT.

Schedule D1

COST RESPONSIBILITY DETAIL SHEET

The SFA has deemed the following cost responsibility schedule to be a necessary part of this bid specification. Costs which are not provided for under the contract terms but are necessary for the effective on-site operation of the food service program and are directly incurred for the SFAs operation must be assigned and designated below by the SFA, and designated below any explanations are to be provided if necessary on Schedule D2:

COST CATEGORY	ITEMIZED COSTS	FSMC	SFA	N/A
Food:	Food Purchases	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Commodity Processing Charges	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Processing & Payment of Invoices	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
USDA Foods:	Processing & Fees for Service	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Payment of Invoices	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Labor:	Wages	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Fringe Benefits & Insurance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Payroll Taxes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Preparation & Processing of Payroll	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Miscellaneous/ Additional Items:	Paper and Cleaning Supplies	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	China/Silverware/Glassware - initial inventory replacement	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	China/Silverware/Glassware - during operation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Telecommunications (telephone, computer, internet, fax, etc.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Uniforms/Laundry*	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Sanitation of Cafeteria Tables and Floors*	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trash Removal*	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	- from kitchen			
	- from dining area	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	- from premises	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Equipment Replacement & Repair*	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	- non-expendable			
	- expendable	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Products and Public Liability Insurance*	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Equipment Rental	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Car/Truck Rental	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Storage Costs (excluding donated commodities) (food and non-food supplies)*	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Courier Services (bank deposits, school deliveries, etc.)*	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Employee Recruitment – initial replacement*	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Sales Tax			X
	Other* - specify _____ (cannot include overhead expenses incurred by FSMC)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other* - specify _____ (cannot include overhead expenses incurred by FSMC)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Other* - specify _____ (cannot include overhead expenses incurred by FSMC)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Other* - specify _____ (cannot include overhead expenses incurred by FSMC)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

*These direct cost items may or may not apply to each SFA. At local discretion, based upon actual practice and need, the SFA should assign cost responsibility for these items, applicable to their operation, or designate them as N/A for each of the above items.

Agreement Section

THIS AGREEMENT, made this 15th day of August, 2018 by and between the
(Day) (Month, Year)

Oneonta City School District in the city of Oneonta, New York, herein after referred to
(School Food Authority) (City)

as "SFA" and Compass Group USA, Inc., by and through its Chartwells Division referred to as "FSMC".
(Food Service Management Company)

WITNESSETH

WHEREAS, the SFA has advertised for sealed bids for Food Service Management to the facilities listed in service locations and times in accordance with the specifications attached hereto and made a part hereof as if same were set forth in full, and,

WHEREAS, the FSMC submitted a bid for a Food Service Management Company to said facilities dated and has been awarded a contract.

NOW, THEREFORE, in consideration of the covenants and agreement hereinafter expressed, it is mutually covenanted and agreed between the parties hereto as follows:

1) Scope and Purpose

- a) The SFA shall provide the requisite administrative oversight of the food service program operations administered by the FSMC with the necessary internal controls as it is their fiduciary responsibility to do so in accordance.
- b) The SFA is responsible for ensuring resolution of program review, monitoring areas of non-compliance and/or audit findings for reimbursable meals, a la carte sales including vending machines, and adult meals.
- c) The SFA shall be responsible for the cost of the food service program as indicated in the bid specifications and entitled to all receipts generated pursuant to this contract.
- d) All net income accruing to the SFA from the food service program shall remain in the program.
- * e) The SFA shall retain control of the quality, extent and general nature of the food service program and the prices to be charged.
- f) The SFA shall retain signature authority for the Single Permanent Agreement to participate in the Child Nutrition Programs, including but not limited to NYSED reports, the online/paper submission of monthly claims for reimbursement, free and reduced price applications, etc.
- g) The SFA shall be legally responsible for the conduct of the food service program, and shall supervise the food service operations by the FSMC in such a manner that will ensure compliance with the rules and regulations of the New York State Department of Education, herein referred to as SED and the United States Department of Agriculture, herein referred to as USDA, regarding the school food service program, including but not limited to 7 CFR Part 210, 215, 220, 225, 245, 250, 3015, 3016, and 3019 and 2 CFR Parts 400, 415, 416. et al (79 FR 75981) also known as the "Super-Circular" and any FNS or NYSED Instruction and Policy as outlined in the SFA's Single Permanent Agreement with NYSED.
- h) The FSMC shall receive for its services an amount based on per meal bid price. All costs of the program must be net of all applicable discounts, rebates and credits.
- i) The FSMC, an independent contractor, shall have the exclusive right to operate the school lunch and/or breakfast and/or milk program.
- j) The food service programs provided shall be operated and maintained as a benefit to the SFA students and staff and not as a source of profit to the FSMC.
- k) The FSMC shall promote nutrition-health education required by the local, county, State or federal governments.
- l) The FSMC shall comply with the rules and regulations of the Commissioner of Education and the United States Department of Agriculture, and any additions or amendments hereto.

2) Free and Reduced Meal Policy

- a) The SFA free and reduced meal policy for the reimbursed school lunch and/or breakfast and/or special milk and/or commodity distribution programs as defined in the agreement and hereby in all respects made a part of this contract.
- b) The written policy of the SFA requiring feeding of needy children free or at reduced price shall apply to the FSMC's food service operation and the SFA shall be responsible for the implementation of this policy.
- c) The SFA shall be responsible for the review and certification of the free and reduced price eligibility applications, public announcement, letter to parents, direct certification, hearings, verification of certified applications and maintenance of the eligibility rosters, the completion, distribution and collection of the parent letter and household application for free and reduced price students. FSMC employees are not allowed to review, process and/or approve free and reduced price applications or to be involved in the free and reduced price meal application process.
- d) The SFA shall be responsible for the establishment and maintenance of the free and reduced price meals benefit issuance listing and providing it to the FSMC to ensure that student's meals are accurately claimed for reimbursement under the correct eligibility category.
- e) The SFA and the FSMC agree that no child who participates in the Child Nutrition Programs will be discriminated against on the basis of race, color, national origin, age, disability, sex, gender identity, religion, reprisal, and where applicable, political beliefs, marital status, familial or parental status, sexual orientation as well as their inability to pay.
- f) No school or school food authority may contract with a food service management company to operate an a la carte food service unless the company agrees to offer free, reduced price and paid reimbursable lunches to all eligible children.

3) Meal Pattern

- a) The FSMC shall serve reimbursable lunches that meet Food Based menu pattern requirements pursuant to the National School Lunch Program regulations 7 CFR Part 210. and shall meet the Dietary Guidelines for Americans. Failure to do so will result in a loss of the total per meal price paid to the FSMC for all meals not meeting program requirements. Such actions constitute a breach of contract and subject the FSMC to a penalty as outlined in Section 26C and may be considered cause for termination of the contract in accordance with the sixty (60) day termination clause as outlined in Section 26D of the contract.
- b) The FSMC should offer a choice of reimbursable meal pattern lunches, subject to approval of the SFA.
- c) The FSMC shall serve reimbursable breakfasts that meet Food Based menu pattern requirements pursuant to the School Breakfast Program regulations 7 CFR Part 220, where indicated in Appendix B of this agreement, and shall meet the Dietary Guidelines for Americans. Failure to do so will result in a loss of the total per meal price paid to the FSMC for all meals not meeting program requirements. Such actions constitute a breach of contract and subject the FSMC to a penalty as outlined in Section 26C and may be considered cause for termination of the contract in accordance with the sixty (60) day termination clause as outlined in Section 26D of the contract.
- d) The FSMC shall serve reimbursable meal pattern snacks that meet meal pattern requirements pursuant to the National School Lunch Program regulations 7 CFR Part 210 and 220. Failure to do so will result in a loss of the total per meal price paid to the FSMC for all meals not meeting program requirements. Such actions constitute a breach of contract and subject the FSMC to a penalty as outlined in Section 26C and may be considered cause for termination of the contract in accordance with the sixty (60) day termination clause as outlined in Section 26D of the contract.
- e) The FSMC shall serve reimbursable milk pursuant to the Special Milk Program if eligible to do so.
- f) The FSMC must demonstrate that food based menus are planned to meet the 2010 Dietary Guidelines for Americans and comply with established caloric ranges, sodium, saturated and trans fat levels as outlined in 7 CFR Part 210 and 220.
- g) The FSMC shall make substitutions in the required food components of the meal pattern if individually participating children are unable, because of medical or other special dietary needs, to consume such foods. Such substitutions shall be made only when supported by a statement from a recognized medical authority for a child with a disability which substantially limits one or more major life activities, which includes the child's disability, why the disability restricts the diet, the major life activity affected by the disability recommended alternate foods and foods that must be omitted from the child's diet. The SFA shall notify the FSMC of any special dietary needs. The U.S. Department of Agriculture's (USDA) nondiscrimination regulation (7 CFR 15b), as well as the regulations governing the National School Lunch Program and School Breakfast Program, make it clear that substitutions to

the regular meal must be made for children who are unable to eat school meals because of their disabilities, when that need is certified by a licensed physician.

- h) The FSMC may use fillers or extenders, such as "textured vegetable protein," in foods served upon approval of the SFA and regulated by USDA.
- i) No payment shall be made to the FSMC by the SFA for any meals that are spoiled, inedible or unwholesome at time of delivery, or do not meet the detailed specifications and/or meal pattern requirements.

4) Point of Service Accountability/Collection Method

- * a) Meals shall be served and proper accurate pupil participation records shall be maintained by the FSMC which must ensure that accurate categorical meal counts are obtained at the point of service for reimbursement purposes.
- b) The FSMC shall implement an accurate point of service accountability system and a collection method which must protect the anonymity of free and reduced price students which must be approved by the SFA.
- c) The FSMC must adapt to the SFA's point of sale system and associated training costs will be the responsibility of the **FSMC**.

5) Menus

- * a) All food items served must adhere to the specification listed on Schedule B and conform to the standard portion sizes listed in Schedule A and Schedule B.
- b) All menus, which are established/approved by the SFA and prepared by the FSMC, are to be served in all schools during all meal services. The FSMC shall not deviate from the SFA's established menu and/or impose preparation of menu items that they prefer to serve for their convenience and/or preference. Any unannounced deviation from the menus by the FSMC, without prior approval of the SFA, may result in payment penalties.
- * c) The FSMC must adhere to the cycle for the first 21 days of meal service. Menu standards as presented in the 21 day cycle menu must be maintained as to type and quality of meal service by the FSMC as indicated in Schedule A (Menus).
- * d) High quality food items are to be provided by the FSMC. If, in the opinion of the SFA, the quality of food service becomes unsatisfactory, the FSMC may be subject of penalties, contract termination and any other available legal remedies.
- e) Food that has become outdated, spoiled, damaged, wilted, dried out, aged, burnt, and/or has changed color shall not be used.
- f) All FSMC employees are to be trained to properly portion all food items to meet the USDA meal pattern requirements as well as the requirements of the bid specification. A schedule of staff training is to be included with each FSMC proposal in Schedule G.
- g) The District Manager of the FSMC shall provide monitor, supervise and train the food service staff personnel for the SFA's food service program. The FSMC District Manager shall visit all district schools 4 times throughout the school year and shall provide a written summary report to the Business Manager within 10 days of their visit.
- h) The SFA is responsible for the formation and establishment of an advisory board comprised of students, teachers and parents that will meet frequently throughout the school year to assist in menu planning. The FSMC shall participate in these periodic meetings when deemed appropriate by the SFA. Documentation of these meetings is to be kept on file by the SFA and made available upon request by SED.
- i) Menus are to be printed by the FSMC and distributed to parents, students, each school and administration and posted in all schools on a Weekly or Monthly basis and should contain daily, weekly and/or seasonal specials planned in conjunction with the meal service requirements for holidays, educational and/or other special events. The FSMC will adhere to the SFA's additional promotional and merchandising specifications in Schedule A.
- j) A copy of each menu is to be supplied to the SFA's Business Office by the FSMC 30 days prior to the month of actual preparation and service of foods for the SFA's review/approval.
- k) The FSMC is to post all menus in a prominent location in all cafeterias and on the SFA's website if applicable.
- l) Preparation and presentation of the same menu item(s) should be consistent in each building throughout the district.
- m) The FSMC shall comply with the Buy American Provision, including but not limited to 7 CFR 210.21, 7 CFR Part 200, and 7 CFR Part 250 for contracts that involve the purchase of food. The SFA reserves the right to review FSMC purchase records to ensure compliance with the Buy American provision. The FSMC shall provide Nutrition Fact labels and any other documentation requested by the SFA to ensure compliance with Buy American.

maybe we need to implement this

6) Production Records/ Standardized Recipes

- a) Production records (7CFR 210.10(a)(3)) and standardized recipes (7CFR 210.10(l)(8)) are to be used in all schools throughout the SFA by the FSMC as required by federal and State regulations to ensure consistency, quantity and quality of meals served. All standardized recipes are to be kept on file in each kitchen and must indicate all

ingredients and portion sizes. Samples of the standardized recipes to be used by the FSMC must be included in Schedule A with your bid.

- b) The FSMC must have the ability to provide all interested parties including the SFA, SED, parents, administration, etc. the actual ingredients and recipes of each menu item offered.
- c) The FSMC is to ensure consistent quality and portioning of menu items throughout the SFA and be subject to the SFA's audit of production records to ensure compliance with this requirement.
- d) The FSMC is to ensure that overproduction of meals does not occur and that leftovers are not removed from the SFA's premises at any time.
- e) Production records must be accurate and kept on a daily basis (7CFR 210.10(a)(3)) and are to be completed for each meal, in all buildings by the FSMC and kept on file for 3 years plus the current year in accordance with federal and State record retention policies, in the SFA, for auditing purposes as required by federal and state regulations. Samples of the production records to be used by the FSMC must be included in Schedule A with your bid.

7) Meal Services

- a) The FSMC shall provide specified types of meal services in an efficient manner to maximize participation in the Child Nutrition Programs as listed in the service locations and times and hereby in all respects made as a part of this contract.
- b) The FSMC is expected to ensure that the quality of meal service is appealing and attractive to maximize customer satisfaction as well as ensure that students proceed through serving lines in an efficient manner.
- c) The FSMC shall provide condiments and utensils as needed.
- d) The FSMC shall use the SFA facilities for the preparation of food to be served in the designated meal service locations.
- e) All a la carte items served by the FSMC shall be approved by the SFA in advance of sale.
- f) The SFA should review all meal services to determine if complete meals are offered, if all items are available during the entire meal service, if food items listed on the menu are being served, if counts are accurately taken at the point of service and if foods listed on the procurement schedule are available for service.
- g) The N/A **Choose a party.** shall administer the Fresh Fruit and Vegetable Program (FFVP), if applicable. Food, labor and miscellaneous costs incurred will be reimbursed from the pre-approved allocation of money from a discretionary grant from the federal government. Additional fees, if any, must be negotiated and agreed upon, prior to implementation of the Fresh Fruit and Vegetable Program. If the FSMC administers the FFVP for the SFA, administrative expenses paid to the FSMC cannot exceed \$100 total per month for the total of up to 50 schools participating in the program. The administrative expense may increase incrementally by \$100 per month for an additional total of up to 50 schools participating in the FFVP. USDA allows no more than ten percent (10%) of the total grant awarded the SFA for administrative expense (which includes equipment purchases.) Refer to the USDA FFVP guidance material at the following link: <http://www.fns.usda.gov/ffvp/fns-resources>. NYSED limits the total administrative expenses paid to the FSMC to one half percent (1/2%) of the respective percent for SFAs with more than 150 schools participating in FFVP. See chart below:

when is this starting? (Connie?)

Number of Schools	Allowable Per Month Total
1-50 schools	= \$100
51-100 schools	= \$200
101-150 schools	= \$300
151 plus schools	= ½% (cannot exceed ½% of up to 10% administrative expenses)

8) Pricing

- a) The SFA shall be responsible for establishing all selling prices for all reimbursable and non-reimbursable meals/milk and a la carte (including vending and adult meals) and be adhered to by the FSMC.
- b) The FSMC is to promote the sale of reimbursable meals throughout the district.
- c) All a la carte prices charged by the FSMC shall be approved by the SFA in advance of sales.
- d) The FSMC shall sell on the premises only those foods and beverages authorized by the SFA and only at the times and places designated by the SFA.
- e) The SFA employees may purchase meals at the option and direction of the SFA. Prices charged by the FSMC must be approved by the BOE/Governing Body of the SFA. The price for adult meals for the same portion size as students must be equal to or more than the over 60% reimbursement rate for a free meal, plus the donated commodity entitlement rate for the current school year, plus sales tax. The FSMC shall be notified of such approval thirty (30) days before new prices are effective. The FSMC may serve meals to their employees free of charge, however, the cost of the meal or the value of the adult meal (value of the adult meals converted to equivalent

meals) may not be charged to the SFA. The FSMC shall not count these meals for reimbursement under the Child Nutrition Programs.

9) Monitoring

- Connie
cases
*
we need to
review*
- a) The SFA shall monitor the food service operation of the FSMC through periodic on-site visits to ensure that the food service is in conformance with USDA program regulations per 7CFR § 210.16. If there is more than one site, there is an additional requirement that the SFA conduct an on-site review of the counting and claiming system no later than February 1 of each year as required by 7 CFR § 210.8. The designated SFA representative is FS Director responsible for performing all on-site reviews and ensuring that if there are any problems found that they will be corrected within the required timeframes.
 - b) FSMC personnel are prohibited from conducting the self-review for the SFA; however, the FSMC may accompany the SFA during the self-review and is responsible for ensuring that any problems found during the self-review are corrected within the required timeframes.
 - c) In the event fiscal action is taken by SED against the SFA based on areas of noncompliance related to the menu/meal pattern found during any administrative review, including validation reviews during the course of this contract, the SFA can recoup funds from the FSMC.

10) All Foods Sold in School (Competitive Foods)

- a) The FSMC shall not sell, dispense, or cause to be on premises, the items listed by the SFA under federal and State regulations and hereby in all respects made a part of the contract.
- b) Neither the SFA nor the FSMC shall authorize the distribution or sale of competitive foods pursuant to State and federal laws and regulations.

11) USDA Foods

- * **
- a) The FSMC must pre-credit the SFA for the value of USDA foods. A deduction for the value of USDA Foods must be reflected in the established bid price. The FSMC must provide an additional credit for any donated foods not accounted for in the established price per meal.
 - b) Any USDA Foods received by the SFA and made available to the FSMC shall accrue only to the benefit of the SFA's nonprofit school food service program and shall be used therein.
 - c) The FSMC must credit the SFA for the value of all USDA Foods received for use in the school food service programs in the school year including values of USDA foods that were not accounted for in the original bid price. The FSMC must provide the SFA with a complete inventory of all USDA Foods received each month. Copies of the FSMC's monthly Inventory Request forms for USDA Foods must also be provided to the SFA each month for their review.
 - d) The FSMC must utilize the SFA's entire entitlement as per Schedule H and any additional entitlement received throughout the contract terms. The FSMC and SFA must follow applicable federal and State requirements, including but not limited to 7 CFR 250.
 - e) The FSMC is only to order USDA Foods in accordance with the SFA's menus reflected in Schedule A and the SFA's Local Wellness Policy (Schedule C).
 - f) The FSMC must maintain (have available for audit by the SFA) transportation of USDA Foods throughout the district.
 - g) USDA Foods are to be obtained for the use solely in the SFA's food service operation and shall not be removed from the SFA's premises.
 - h) The FSMC shall have records available to substantiate the full value and use of USDA Foods in reimbursable meal pattern lunches. Records should clearly reflect that the value and amount of USDA Foods received and used by the FSMC is solely for the SFA's benefit. The values are to be based on the value at the point the SFA receives the USDA Foods from the State distributing agency and based on the USDA Foods Value listing pertinent to the applicable time period. This includes when the FSMC procures end products from processors on behalf of the SFA in the form of rebates, credits and/or discounts.
 - i) The FSMC shall select, (accept and use in as large quantities as may be efficiently used in SFA's nonprofit school service, the type and quantities of available USDA Foods, subject to the approval of the SFA.
 - j) The SFA shall be responsible for transportation and storage charges for USDA Foods.
 - k) The FSMC shall account for all federally donated USDA Foods separately from purchased food items. USDA Foods are not to be used for special functions conducted outside the nonprofit school food service.
 - l) Title of products purchased or processed using USDA Foods must remain with the SFA. Any charges incurred by the FSMC when processing or purchasing products containing USDA Foods shall be paid by the FSMC and charged back to the SFA as a cost.

- m) The FSMC is subject to the applicable requirements of 7 CFR 250 to the extent that it uses USDA Foods.
- n) If the FSMC uses a commercial substitute in place of the USDA Food, it must be of the same generic identity, of U.S. origin, and of equal or better quality in place of USDA Food.
- o) The FSMC is prohibited from entering into any processing contracts utilizing USDA Foods on behalf of the SFA. All refunds received from processors must be retained by the nonprofit school food service account.
- p) Title to all USDA Foods provided to the FSMC for use in the school food service program shall remain with the SFA.
- q) The SFA must conduct a reconciliation in accordance with 7 CFR Part 250 to ensure that the FSMC has properly credited it for the value of all USDA Foods received for use in the SFA's food service operation in the applicable school year.
- r) When this contract terminates or subsequent extensions terminate, the FSMC must return all unused USDA Foods to the SFA.
- s) The FSMC will use all USDA Foods ground beef and ground pork products, and all processed end products, in the SFA food service in accordance with CFR Part 250.53(5).
- t) The Department of USDA Foods, The NYS Child Nutrition Program Administration Office, The SFA, The NYS Comptroller, The Department of Agriculture, or their duly authorized representatives may perform onsite reviews of the FSMC's food service operation, including the review of records, to ensure compliance with requirements for the management and use of USDA Foods in accordance with CFR Part 250.53(10).
- u) In the event that the full entitlement of USDA foods ordered is not received through USDA, the FSMC may receive a credit for the amount of entitlement not received. Prior to crediting the SFA must verify the cause to determine if crediting is required.

12) Purchases



- a) The grade, purchase unit, style, weight, ingredients, formulation etc., as set forth by the SFA, see Schedule B, shall be complied with by the FSMC. If a brand name is specified, or "equal to" must also be indicated.
- b) The FSMC shall purchase all food and non-food items at the lowest price possible consistent with maintaining quality standards.
- c) The FSMC may purchase from their owned or operated subsidiary facilities if the purchase price is lower than the prices otherwise available in the area.
- d) The FSMC shall honor existing contracts if advantageous to the SFA.
- e) The FSMC shall be solely responsible for the purchase and payment of all foods and beverages necessary for it to render proper performance of the food service program as stated herein. Such purchases and performance shall apply to all items in addition to food and beverage, which will be necessary for compliance with and of this agreement.
- f) The FSMC is to ensure that purchased foods for the sole use of the SFA's food service operation are not removed from the district premises at any time.
- g) The FSMC, as the agent of the SFA will ensure that all procurement transactions meet any applicable procurement standards set forth by Federal, State, or Municipal regulations and policy.
- h) The FSMC shall produce a report, which documents the procurement of NY grown/locally grown products including the local farm source, the product(s) purchased and the value of the products purchased on behalf of the SFA.
- i) The prices charged the SFA for food, supplies, services, etc. must be competitive, reasonable and necessary.

13) Use of Facilities – Amendment Added - 33a

- a) The FSMC shall instruct its employees to abide by the policies, rules and regulations, with respect to use of SFA premises/facilities as established by the SFA, which are furnished in writing to the FSMC by the SFA.
- b) The SFA shall furnish at its expense, electricity, gas, space, light, heat, power, hot and cold water and other utilities to the FSMC as in the judgment of the SFA that is reasonably needed and necessary for the operation of the food services as well as sanitary toilet facilities for FSMC employees.
- c) The SFA shall make available without any cost or charge to the FSMC contractor area or areas of the premises that are mutually agreeable to both parties in which the FSMC shall render its services; such area or areas reasonably necessary for providing efficient food service.
- d) The SFA may request of the FSMC, additional food service programs; however, the SFA reserves the right, at its sole discretion, to sell or dispense any food or beverage before or after the SFA's regularly scheduled lunch or breakfast periods provided such use does not interfere with the operation of the School Lunch and/or Breakfast and/or Special Milk Programs.
- e) If the SFA uses the facilities for extracurricular activities before or after the SFA regularly scheduled lunch or breakfast period, the SFA shall return facilities and equipment to the FSMC in the same condition as received, normal wear and tear excepted.
- f) The SFA shall be responsible for painting and/or decorating within the kitchen and dining areas.

- g) The SFA shall have unlimited access, with or without notice to the FSMC, to all areas used by the FSMC for purposes of inspections and audits.
- h) The FSMC shall use the SFA facilities for the preparation of food to be served only at sites specified in the appendices and subject to approval by SED.
- i) The SFA from time to time will hold special banquets and other functions that require catering services. The FSMC will submit quotations for such catering needs upon request from the SFA.

14) Inventory, Equipment and Storage

- a) The SFA shall furnish all necessary equipment to operate the food programs. At the time of the contract signing, an itemized inventory (to be certified by representatives of both parties) of all food items furnished or to be furnished by the SFA including miscellaneous kitchen items, will be made part of this contract and included in Schedule E.
- b)  The FSMC and the SFA shall inventory the equipment and commodities owned by the SFA at the beginning of the school year, including but not limited to silverware, trays, chinaware, glassware, kitchen utensils, and food commodities.
- c) The FSMC shall maintain the inventory of silverware, chinaware, glassware, kitchen utensils, and other operating items necessary for the food service operation throughout the school year.
- d) The SFA shall replace expendable equipment and replace, repair and maintain equipment except when damages result from the use of less than reasonable care by the employees of the FSMC. Any equipment purchases must be in compliance with CNP procurement regulations. Any equipment purchases beyond the federal or State threshold requires State Agency approval. Regarding all equipment, furnishings and small wares used for the services hereunder, the FSMC agrees that it will use the SFA equipment and machinery in good and proper manner and shall keep the same free from damages, in proper condition and in a state of cleanliness to assure STRICT COMPLIANCE WITH HEALTH REGULATIONS AS PROVIDED AND REQUIRED BY THE STATE OF NEW YORK, dealing with SFA facilities, as with all other health laws. Therefore:
 - i) Repairs necessary due to the negligence of the FSMC, its employees or agents shall be the sole responsibility and the sole expense of the FSMC.
 - ii) The SFA agrees to at its sole option to repair or replace any equipment not functioning properly or which is missing upon proper written notification by the FSMC of the need for such repair or replacement and the availability of normal repair or replacement facilities. If the SFA, at its discretion, determines not to repair and/or replace equipment that the FSMC has expressly advised the SFA in writing (a) poses a safety risk to FSMC's employees, or (b) hinders FSMC's ability to perform its services under the agreement, then FSMC shall have the right to effectuate such repair and/or replacement at the expense of SFA.
 - iii) No purchases, alterations, changes, or improvements shall be made to the areas granted to the FSMC without obtaining prior written permission of the SFA with the final decision as to purchases, alterations, changes, or improvements reserved solely for the SFA.
- e) The SFA shall be responsible for repairs to all permanent fixtures such as faucets, lights, sewers, air conditioning, heating and all other electrical work NOT considered to be food equipment, since such food equipment is dealt with in item D above.
- f)  The FSMC shall maintain adequate storage practices, inventory, and control of federally donated foods in conformance with SFA's agreement with the Office of General Services as well as non-commodity purchases.
- g) The SFA shall provide locks for food storage, preparation and service areas. Keys to those locks shall be provided by the SFA to the FSMC at the SFA's discretion.
- h) The SFA shall provide the FSMC with telecommunication services as deemed necessary by the SFA.
- i) The SFA shall furnish and install any equipment or make any structural changes needed to comply with federal, State and local laws, ordinances, rules and regulations.
- j) The SFA shall be responsible for any losses including federally donated commodities, which may arise due to equipment malfunction or loss of electrical power not within the control of the FSMC.
- k) All food preparation and serving equipment owned by SFA shall remain on the premises of the SFA.
- l) The SFA shall not be responsible for loss or damage to equipment owned by the FSMC and located on the SFA premises.
- m) The FSMC shall obtain prior approval from the SFA before placement of any FSMC equipment on SFA premises.
- n) Upon termination of this contract the FSMC will surrender to the SFA all equipment and furnishings located in the food services facilities and/or as listed on the certified inventory list of all SFA owned property (both capital and/or expendable) as referred to in 14B – 14C. Such property and equipment or its equal quality replacement must be returned to the SFA in the same good order and condition as when received by the FSMC, reasonable wear and tear, damage from casualty fire and hazards covered by insurance ALONE EXCEPTED. Another inventory shall be taken upon termination to determine the status of all equipment hereunder. Discrepancies shall be corrected at the FSMC's sole expense with said replacement based on a comparison with the original inventory.

15) Deliveries/Transportation

- a) The FSMC and the SFA are responsible for the proper and safe transportation of food between buildings to students in a prompt and efficient manner to adhere to the serving times established by the SFA.
- b) The SFA shall pay for oil and gas used by its owned, hired, or other vehicles under its supervision used for delivering food or non-food commodities.
- c) The FSMC shall provide its own drivers for owned, hired, or other vehicles under its supervision used for delivering food or non-food commodities.

16) Sanitation/ Health Certification

- a) The FSMC shall serve all foods at proper temperatures and develop standards of time for food preparation prior to meal service and the food should be ready to be served as close to serving time as possible.
- b) The SFA will provide for the removal of all trash and garbage from the designated area(s) with the FSMC being responsible for proper sanitary storage and placement in the designated area(s) of said trash and garbage until its removal.
- c) The FSMC shall clean the kitchen area, including but not limited to sinks, counters, tables, chairs, silverware, and utensils.
- d) The FSMC shall clean the grease traps in the food service area to be in good working order.
- e) The SFA shall maintain the grease traps in the food service area to be in good working order.
- f) The FSMC shall operate and care for all equipment and food service areas (except walls, windows and lights) in a clean, safe, and healthy condition in accordance with standards acceptable to the SFA and comply with all applicable laws, ordinances, regulations and rules of federal, State, and local authorities.
- g) The SFA shall be responsible for the professional cleaning of ducts and hoods above the filter line and will provide extermination services as needed and not less than one time per year.
- h) The FSMC shall comply with all local and State sanitation requirements in the preparation of food and attend all related mandated training as deemed necessary by the SFA and/or SED.
- i) The FSMC shall adhere to the School Food Safety Plan set forth as per USDA regulations for all preparation and meal service of school meals, using a Hazard Analysis and Critical Control Point (HACCP) system as required by Public Law 108-265 which is to be included as part of the Bid by the SFA as reflected in Schedule F.
- j) The SFA shall maintain all applicable health certifications on its facilities and shall ensure that all State and local regulations are being met by the FSMC preparing and/or serving meals at any SFA facility.
- k) The SFA shall immediately correct any problems found as a result of a health inspection.
- l) The FSMC shall adhere strictly to all applicable Pure Food Laws, ordinances as well as all related regulations as adopted and promulgated by the federal government, the State of New York, the local Departments of Health and said FSMC will otherwise fully comply at all times with the rules and regulations as set up by the SFA as well as with any change in the State and/or county Laws, etc., covering and controlling food services at the facilities.
- m) The FSMC shall comply with all health and safety regulations required by federal, State, or local law.
- n) The FSMC and the SFA shall comply with all building rules and regulations.
- o) The FSMC shall procure the most recent applicable health certification required by federal, State, or local law and post in a-noticeable place in the food service area.
- p) The FSMC shall have State or local health certification for any facility outside the SFA in which it proposes to prepare meals and the FSMC shall maintain this health certification for the duration of the contract.
- q) The FSMC shall comply with the additional food and safety specifications by the SFA as reflected in Schedule F.

17) Employees

- a) Fingerprinting - The FSMC shall comply with the Regulations of the Commissioner - Part 87 Criminal History Record Check for Prospective School Employees. The FSMC will be responsible for fees associated with obtaining fingerprints of prospective employees. The fingerprinting process prescribed by the New York State Education Department must be followed.
- b) The results of all fingerprints from the Office of School Personnel Review and Accountability (OSPRA) must be given to the covered school district, charter school or BOCES as well as prospective employer (FSMC). A prospective school employee means any individual, employee of a provider of contracted services to a covered school who is to be placed within such covered school. A covered school means a board of cooperative educational services, a charter school, a school district, or any nonpublic or private elementary or secondary school that elects to fingerprint and seek clearance for prospective employees from the department beginning July 1, 2007, geographically located in New York State, excluding the city school district of the City of New York. The SFA must ensure that employee fingerprinting records are on file.
- c) The FSMC must complete and retain an Employment Eligibility Verification Form I-9 for each individual hired for employment. The form must be kept on file for three years after hiring an individual or one year after the employee is terminated.

- d) The FSMC shall comply with all wage and hours of employment requirements of federal and State Law.
- e) All employees of the FSMC shall be paid in accordance with the Fair Labor Standard Act, as amended and any other applicable statutes.
- f) The FSMC shall comply with Titles VI and VII of the Civil Rights Act of 1964 and the implementing regulations of the United States Department of Agriculture issued thereunder and any additions or amendments thereto. The FSMC shall comply with Executive Order 11246, entitled Equal Employment Opportunity, as amended by Executive Order 11375, and as supplemented in Department of Labor regulations 41 CFR Part 60. The FSMC shall also ensure that a Civil Rights training, in accordance with 7 CFR 210.23(b) and FNS-113, Appendix B, is provided to all food service employees at least once each school year.
- g) The FSMC shall provide Workman's Compensation for its employees.
- h) The FSMC shall provide the SFA with a list of its personnel policies and fringe benefits for its employees.
- i) Staffing patterns shall be mutually agreed upon and there shall be no deviations from the recommended staffing pattern contained in Schedule G, without the SFA's prior approval and consent.
- ~~j)~~ Any employee who is continued as an employee of the FSMC shall be subject to the personnel policies and termination rules of the FSMC.
- k) The FSMC shall not hire employees in excess of the number required for efficient school food service operations needed for the applicable months of the school year that the Child Nutrition Programs are in operation.
- l) The FSMC shall provide the SFA with a schedule of employees, positions, assigned locations, salaries (and hours to be worked) two full calendar weeks prior to the commencement of operation as reflected in Schedule G.
- m) The SFA may request in writing the removal of an employee of the FSMC who violates health requirements or conducts himself/herself in a manner which is detrimental to the physical, mental, or moral wellbeing of students. In the event of the removal or suspension of any such employee, the FSMC shall immediately restructure its staff without disruption in service.
- n) All FSMC personnel assigned to each school shall meet the professional standard requirements as prescribed by USDA, SED or the SFA in accordance with federal, State or local law regulations and guidance and shall be trained by the FSMC on the use of all meal preparation/service equipment, emergency valves, switches, fire and safety devices in the kitchen and cafeteria areas.
- o) The SFA will ensure that all FSMC employees have been subjected to the same hiring requirements as SFA employees as indicated in Schedule G (i.e., physicals, employee screenings, background checks, immigration, etc.) and ensure that the proper documentation is maintained on file.
- p) The FSMC will adhere to additional FSMC staffing requirements by the SFA regarding the interview process, resumes, qualifications, job descriptions, substitutes, time/attendance, snow days, vacation days, benefits, terminating, hiring, proper attire, communication with SFA, unions, wages, withholdings, workers compensation, unemployment insurance, retirements, student workers, etc. in Schedule G.
- q) The FSMC will adhere to additional FSMC staff training requirements by the SFA in Schedule G.
- r) The FSMC shall have the sole responsibility to compensate its employees, including all applicable taxes and insurance and shall be solely responsible for any losses incurred by the SFA resulting from dishonest, fraudulent or negligent acts on the part of its employees or agents. ALL food service employees shall comply with all rules of the SFA for cleanliness and courtesy.
- s) The FSMC shall be an independent contractor and not an employee of the SFA; nor are the employees of the FSMC employees of the SFA. If applicable, list all employees of the SFA that will be working in the school lunch program. If additional space is needed, indicate on Schedule G.
- t) In the event the SFA retains the services of the food service staff, the SFA must list all food service staff in Schedule G specifying the title and salary of each employee.
- u) Employee Benefits
 - i) All accumulated sick days effective June 30, 2018 will be retained.
 - ii) All employees hired prior to June 30, 2018 will be allowed (5) sick days per year and will be able to accumulate sick days for the length of agreement or be compensated for accumulated days.
 - iii) All employees hired after June 30, 2018 are covered under the FSMC's benefit plan and are not eligible to accumulate sick time.
 - iv) Health insurance benefits to eligible employees shall be effective on the date of hire.

18) Emergency Closing

- a) The SFA will establish procedures on a site by site basis for working with the FSMC when there is a snow emergency, change in the site schedule, field trips, unexpected closings or other events that may affect participation in the meal program. Events not under the control of the SFA and acts of God shall not affect the guaranteed return to the SFA.

19) Licenses, Fees and Taxes

- a) The FSMC shall be responsible for paying all applicable taxes and fees, including but not limited to excise tax, State and local income taxes, payroll, and withholding taxes and hold the SFA harmless for all claims arising under such taxes and fees.
- b) The SFA shall be responsible for paying sales taxes collected on any receipts deposited in its name.
- c) The FSMC shall be responsible for securing and posting all licenses, permits and food handler's cards as required by federal, State, or local law.
- d) The FSMC shall be responsible for any fines imposed by the county health department related to the FSMC operation of the program.

20) Income, Reimbursement/ Deposits

- a) All income accruing from the result of payments from children and adults, federal and State reimbursements, and all other income sources shall be deposited in the SFA's food service account.
- b) Any profit or guaranteed return shall remain in the SFA's food service account.
- c) The SFA shall receive all income from the program(s) including a la carte and/or vending machine sales which the SFA must deposit in the school cafeteria fund accounts. At no time shall the SFA relinquish Child Nutrition Program reimbursements to the FSMC.
- d) Authority to sign claims for reimbursement shall remain with the SFA.
- e) The FSMC staff cannot submit claims for reimbursement online or by mail and cannot be issued Child Nutrition Management System (CNMS) passwords in order to submit claims; however they may prepare claims and provide supporting documentation for the SFA's review/approval.
- f) The SFA must review claims and accountability systems, as well as perform the edit checks, to determine the accuracy of claims before submission to SED.
- g) If reimbursement is denied as a direct result of the failure of the FSMC to comply with the provisions of this contract, the FSMC shall assume responsibility for the amount denied.

21) Vending Machines

- a) The FSMC must ensure that all sales generated from these a la carte vending machine sales accrue to the SFA and be deposited into the SFA's food service account and converted into equivalent meals using the set conversion factor established by this contract. The total number of vending machines determined by the SFA to be a part of the Child Nutrition Programs whose sales must be converted to equivalent meals are 0.
- b) The FSMC will be responsible for stocking, maintenance, upkeep, and emptying monies from the Child Nutrition a la carte vending machines and must provide a verifiable audit of items sold and revenues received.
- c) Timers may be requested for vending machines at the discretion of the SFA.

22) Financial Accounting, Reporting and Auditing

- a) Financial accounting by the FSMC shall be in accordance with USDA and New York State Department of Education rules and regulations and applicable federal and State Laws.
- b) The per meal cost (bid amount) is \$^{2.175} for breakfast and \$^{2.90} for lunch and \$ for snack.
- c) The FSMC reimbursement shall not exceed the per meal bid price and will be reimbursed only as approved and audited by Business Manager or his/her authorized representative.
 - i) Reimbursement due to FSMC shall equal meals claimed for reimbursement plus equivalent meals multiplied by the per meal bid price.
 - ii) SFA shall designate by title the employee whose responsibility shall be to supervise and audit all financially related to operations of the FSMC. Business Manager.
- d) The FSMC's payment shall not exceed contract terms (meals plus equivalent meals multiplied by the bid price), and is limited to the extent of program income.
- e) The SFA shall make payment within 15 days to the FSMC for the direct costs of operation after the submission of a valid claim in accordance with Section C for each week of program operation to the extent of the school cafeteria fund account balance. Normal credit terms will be 15 days from billing date.
- f) The FSMC shall maintain source documentation records (supported by invoices, receipts, or other evidence) as the SFA will need to meet monthly reporting responsibilities and shall submit monthly operating statements in a format approved by the SFA no later than the fifteenth (15th) calendar day succeeding the month in which services were rendered; participation records shall be submitted no later than the fifth (5th) working day succeeding the month in which services were rendered and reported on a calendar month basis. The SFA shall perform edit checks on the participation records provided by the FSMC prior to the preparation and submission of monthly claims for reimbursement as well as audit food, labor and other large expenses and perform random audits of smaller expenses on a monthly basis.

- g) The FSMC shall provide the SFA with a year-end statement by date determined by the SFA (7/10) the SFA shall audit the FSMC's operations as part of its year-end audit. The SFA and FSMC must provide all necessary documents for the independent auditor and/or to conduct the SFA's single audit.
- h) The FSMC must provide all information requested by the SFA, which will allow the SFA to make adjustments to the correct accounting period after the SFA has reconciled FSMC source documentation to effectuate payment. Failure to do so will result in delays in payment to the FSMC. NYSED reserves the right to randomly request SFA and/or FSMC copies of invoices and operating statements to ensure compliance.

23) Books/ Records and Record Retention

- a) Books and records of the FSMC pertaining to the school food service operations shall be maintained and made available in accordance with federal and State record retention policies, for a period of three (3) years from the day of the State Agency or the SFA's final allowable payment under the contract has been recorded. The following records must be maintained for the three year period following the recording of the final payment: original bid and contract, basis for contract selection, terms and conditions of the contract, billing and payment records, and history of FSMC's claims and breaches. The three year period shall be extended if there are bid protests, litigation and audits. In these cases, the records must be retained until the completion of the action and resolution of all issues arising from the action or the expiration of the regular three year period, whichever is last.
- b) Books and records of the FSMC pertaining to the CN Program operations shall be made available, immediately upon demand, in an easily accessible manner for audit, examination, excerpts and transcriptions by the SFA and/or any state or federal representatives and/or auditors. Failure to do so in a timely manner will result in potential loss of reimbursements to the SFA and subsequently loss of payment to the FSMC. FSMC must adhere to all Federal, State or Local record retention policies and procedures.
- c) The FSMC shall not remove federal, State or locally required records from the SFA premises upon termination of the contract.

24) Insurance

- a) The FSMC shall procure and maintain at its own expense a general liability policy which names the SFA as an additional insured on all required insurance policies, including products liability in the amounts of at least \$1,000,000 for injury and death, and property damage with a limit of \$1,000,000 for each accident provided by insurance companies authorized to do business in the State of New York. The certificate of insurance shall provide for notice to the SFA of cancellation of insurance policies sixty (60) days before such cancellation is to take effect.
- b) The FSMC shall be solely responsible and answerable in damages for any and all accidents and/or injuries to persons (including death) or property arising out of or related to the services to be rendered by the FSMC pursuant to this agreement. The FSMC shall indemnify and hold harmless the SFA and its officers and employees from claims, suits, actions, damages and costs of every nature arising out of the provision of services pursuant to this Agreement.
- c) The FSMC shall provide a certificate of insurance for all required policies; the certificate of insurance shall contain: 1) names and addresses of insured; 2) titles and locations of the operations to which the insurance applies; 3) number of the policy and type or types of insurance in force thereunder on the date of the certificate; 4) expiration date of the policy and the type and types of insurance in force thereunder on the date of the certificate; 5) statement that the insurance of the type afforded by the policy applies to all of the operations and activities on and at the site of the project or incidental thereto, which are undertaken by the FSMC during the performance of the contract.
- d) The FSMC shall provide fire and theft insurance at its own expense to cover any risk created by fire and/or theft to its property located on the premises of the SFA. The FSMC further agrees to provide all necessary fire and/or theft insurance to cover clothes, garments and other articles owned by their employees.

25) Performance Security

- a) The FSMC shall provide the security form, as authorized, prior to the commencement of food service operations. The performance security shall be in a form acceptable to the SFA, and shall be in the amount of \$. The FSMC shall submit the performance security to the SFA prior to the commencement of program operations.
- b) It is recommended and encouraged that all security options be left open to the bidder. However, the SFA may choose to eliminate one or more options in the bid specifications.

26) Contract Term, Termination and Renewals

- a) This contract shall become effective on 7/1/2018 and terminate on 6/30/2019.
- b) This contract may be extended by the SFA and the FSMC under the rules and regulations prescribed by the Commissioner of Education; however, pursuant to federal regulations CFR Part 210.16 (d), the contract between a school food authority and food service management company shall be of a duration of no longer than (1) one year; with the option to renew/extend annually with a maximum of (4) four years. Such renewals/extensions shall be executed prior to termination of the preceding contract period and shall not extend the original contract period beyond five years.
- c) If the FSMC violates or breaches the terms of and conditions of this Contract, the SFA shall give the FSMC written notice and an opportunity to cure the violation/breach. Should the FSMC fail to make reasonable progress to affect such cure, or correct the violation/breach, the SFA may assess the following penalties against the FSMC:

First written notification of violation/breach. Correction or reasonable progress to effect such cure must be made within five (5) operating days.	Failure to comply will result in penalty of \$500 per day per school involved.
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Second written notification for the same violation/breach. Corrective or reasonable progress to effect such cure must be made within five (5) operating days.	Failure to comply will result in penalty of \$750 per day per school involved.
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Third written notification for the same violation/breach. Correction or reasonable progress to effect such cure must be made within five (5) operating days.	Failure to comply will result in penalty of \$1000 per day per school involved.
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Failure to comply with these notices will be considered cause for termination of the contract in accordance with the sixty (60) day termination clause below.

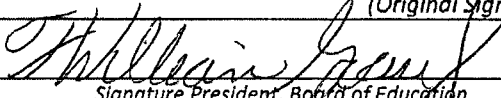

- d) The SFA or the FSMC may terminate the contract, for cause, by giving sixty (60) days written notice, except: If the FSMC makes a general assignment for the benefit of creditors, or if a receiver is appointed on account of bidders insolvency. If anticipated revenues or commodity assistance from federal and State reimbursements are reduced and the FSMC submits in writing a proposal of recommended changes necessary to maintain program solvency yet the SFA repeatedly refuses or fails to take appropriate action to maintain program solvency within thirty (30) days of receipt of said notice, the FSMC may, without prejudice and within seven (7) days written notice, terminate the contract.
- e) The SFA or FSMC may terminate the contract, for convenience, by giving sixty (60) days advance written notice to the other party. Such notice shall set forth with sufficient specificity such party's reasons for contemplating termination. A FSMC facilitating the termination for convenience clause must provide adequate advance notice, to the SFA that would permit the SFA sufficient time to arrange alternate food service.
- f) Neither the FSMC nor the SFA shall be responsible for any losses resulting if the fulfillment of the terms of the contract shall be delayed or prevented by wars, acts of public enemies, strikes, fires, floods, acts of God, or for any acts not within the control of either the FSMC or the SFA, respectively, and which by the exercise of due diligence it is unable to prevent.
- g) Contract Cost Adjustment: The SFA may negotiate at the end of each one year contract period for a cost increase not to exceed the annual percentage increase of the New York - Northeastern New Jersey Consumer Price Index for all Urban Consumers for the preceding year, provided it has been satisfactorily established by the FSMC that there has been at least an equivalent increase in the amount of its cost of operation during the period of the contract.

27) General

- a) This contract shall be construed under the laws of the State of New York. Any action or proceeding arising out of this contract shall be brought in the appropriate courts of the State of New York.
- b) The SFA shall neither solicit or accept gratuities, favors or anything of monetary value from contractors or potential contractors. To the extent permissible under State Law, rules and/or regulations, violations of these standards shall be subject to appropriate penalties, sanctions and/or other disciplinary actions.
- c) The FSMC shall comply with the provisions of the bid specifications and hereby in all respects made a part of this contract.

- d) The FSMC may not subcontract out services without the express prior approval, written authorization and consent of the SFA and governing board of the SFA.
- e) The SFA reserves the right to reject any and all items which do not comply with the requirements set forth herein.
- f) This contract constitutes the entire contract between the SFA and the FSMC and may not be changed; terminated or extended orally or by course of conduct.
- g) No waiver of any default shall be construed to be or constitute a waiver of any subsequent default.
- h) Payments on any claim shall not preclude the SFA from making claim for adjustment on any item found not to have been in accordance with the provisions of this contract and bid specifications.
- i) This contract shall not be renegotiated throughout the term of this contract. If renegotiations and/or material changes occur any time during the five year term, rebidding is required. SED reserves the right to deny reimbursement due to a SFA's failure to follow proper bidding procedures.
- j) The complete contract includes all documents by the SFA and all documents submitted by the FSMC that have been mutually agreed upon by both parties; i.e., worksheets, schedules, appendices, etc.
- k) The terms and conditions of this contract are subject to review and approval by the New York State Department of Education, Child Nutrition Program Administration.
- l) It is further agreed between the SFA and the FSMC that the clauses attached hereto and designated as, Required Forms #1 - #12, Schedules A - H and Appendices A - B are hereby in all respects made a part of this contract.
- m) The successful bidder shall enter the SFA FOOD SERVICE MANAGEMENT COMPANY CONTRACT attached hereto and in all respects made a part of this bid specification. By submitting a bid, the bidder agrees to all the terms and conditions contained herein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

Original Signatures and Date of Both Parties Required (Original Signatures must be in blue ink only)	
	
Signature President, Board of Education	Authorized Signature of FSMC and Title
Jamie Reynolds F. William Gray, Jr.	Belinda Oakley, CEO, Chartwells K12
Print Name	Print Name
Oneonta City School District	Compass Group USA, Inc., by and through its Chartwells Division
Name of School Food Authority	Name of Food Service Management Company
08/16/18	7/16/2018
Date	Date

Please note: The SFA is not liable for any cost incurred by the bidder prior to the signing of a contract by all parties. Paying the FSMC from Child Nutrition Program funds is prohibited until the contract is signed.

Client Profit and Loss Statement

Oneonta City CSD

31 Center street
Oneonta, NY 13820
Lisa Weeks-Business Manager

Complex # 26739 Enrollment 1652



	YTD 22-23	Cents/ Meal	P10	P11	P12	P1	P2	P3	P4	P5	P6	P7	P8	P9
			Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Budgeted Operating Days	73.00				19	19	18	17						
Operating Days Lunch	69.00				17	19	18	15						
Operating Days Breakfast	69.00				17	19	18	15						
Reimbursable Meal Counts														
700030 2 Free Type A 1003	53,689				13,041	14,925	14,234	11,489						
Total Lunch Count	53,689				13,041	14,925	14,234	11,489	0	0	0	0	0	0
700120 2 Breakfast Free 1011	25,579				6,252	7,516	6,692	5,119						
Total Breakfast Count	25,579				6,252	7,516	6,692	5,119	0	0	0	0	0	0
Non-Reimbursable Meal Count														
700040 2 Adult Lunch 1004	349				54.14	105.55	113.40	76.26	0.00	0.00	0.00	0.00	0.00	0.00
700050 2 Lunch Ala Carte 1005	765				36.95	122.97	247.72	357.34	0.00	0.00	0.00	0.00	0.00	0.00
700130 2 Adult Bkfst 1012 *	3				1.43	0.36	1.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00
700230 Break Ala Carte 1043 *	16				2.80	4.60	4.35	4.03	0.00	0.00	0.00	0.00	0.00	0.00
Total Meal Count	80,401	1.00			19,388	22,674	21,293	17,046	0	0	0	0	0	0
District Revenue														
700310 Student Alacarte Lunch	3,220.55	4.21			155.55	517.70	1,042.90	1,504.40						
700310 Student Alacarte Breakfast	66.39	4.21			11.79	19.35	18.30	16.95						
700320 Adult Alacarte Lunch	1,470.75	4.21			227.95	444.35	477.40	321.05						
700320 Adult Alacarte Breakfast	12.00	4.21			6.00	1.50	4.50	0.00						
700360 Total Reimbursements	234,552	2.96			57,053	66,039	61,999	49,461	0	0	0	0	0	0
790014 Client Sales Tax	119.88	0.34			18.95	36.07	38.91	25.95						
Total Register Sales	4,889.57	4.32			420.24	1,018.97	1,582.01	1,868.35	0.00	0.00	0.00	0.00	0.00	0.00
Total District Sales	239,441.99	2.98			57,473.24	67,057.97	63,581.01	51,329.77	0.00	0.00	0.00	0.00	0.00	0.00
Chartwells Revenue Due	246,032.21	3.06			59,255.30	69,117.41	65,229.31	52,430.19	0.00	0.00	0.00	0.00	0.00	0.00
Chartwells Actual Invoiced	246,032.10	3.06			59,255.19	69,117.41	65,229.31	52,430.19						
Variance	0.11	0.00			0.11	(0.00)	0.00	(0.00)	0.00	0.00	0.00	0.00	0.00	0.00
* Note all ala-carte converted meals are X by lunch rate.														
District Fund Balance	(6,590.11)	(0.08)			(1,781.95)	(2,059.44)	(1,648.30)	(1,100.42)	0.00	0.00	0.00	0.00	0.00	0.00
Avg Sales Per Day	3,470				3,381	3,529	3,532	3,422	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Avg Return Per Day	(96)				(105)	(108)	(92)	(73)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Chartwells Direct Costs

Product Food Cost	92,977	1.16			24,363	24,181	22,195	22,238						
Paper Cost	12,589	0.16			4,668	2,876	2,333	2,711						
Total Food Product & Paper Cost	105,566	1.31	-	-	29,031	27,057	24,528	24,949	-	-	-	-	-	-
Total Volume Allowances	(19,221)	(0.24)	(3,268)	(498)	(99)	(6,004)	(5,876)	(3,475)						
Net Product Cost	86,345	1.07	(3,268)	(498)	28,932	21,053	18,652	21,474	-	-	-	-	-	-
Total Direct Personnel	108,381	1.35	2,421	2,557	25,768	26,417	27,445	23,773						
Total Other Costs	10,738	0.13	741	880	4,181	1,310	2,180	1,446						
Chartwells Direct Expenses	205,464	2.56	(106)	2,939	58,881	48,780	48,277	46,693	-	-	-	-	-	-
Chartwells Net Profit/(Loss)	40,568	0.50	106	(2,939)	374	20,337	16,952	5,738						
Chartwells Revenue	246,032	3.06	-	-	59,255	69,117	65,229	52,430						

I certify that the information provided on monthly operating statement submitted to the SFA , all bills, invoices and receipts are net of all, rebates, discounts and credits and the information is true and correct to the best of my knowledge.

Dave Smith
Signature

Average Daily Participation	YTD 22-23	% Enrollment	Eligibility Free		Reduced		Paid		Month					
			# Students	%	# Students	%	# Students	%	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
CEP All Buildings			1652	100.0%	0	0.0%	0	0.0%						
700030 2 Free Type A 1003	778	47.1%			767	786	791	766	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
700040 2 Adult Lunch 1004	5	0.3%			3	6	6	5	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
700050 2 Lunch Ala Carte 1005	11	0.7%			2	6	14	24	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total Lunch Count	778	47.1%			767	786	791	766	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
700120 2 Breakfast Free 1011	371	22.4%			368	396	372	341	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
700130 2 Adult Bkfst 1012	0	0.0%			0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
700230 Break Ala Carte 1043	0	0.0%			0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total Breakfast Count	371	22.4%			368	396	372	341	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total Meal Count	1165				1135	1181	1163	1107	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Oneonta City School District

2021-22 Risk Assessment Update

June 30, 2022

Cwynar, Farrow & Locke, CPAs, PLLC

The district's internal controls are the framework that management uses to achieve the district's objectives in three main areas: (1) operating the School (2) reporting accurate financial data to the public and (3) complying with laws, regulations and established internal policies and procedures.

The purpose of this report is to identify potential risks to attaining the district's objectives and to provide the Board a basis for managing those risks.

Planning

New York State Education Department provided an Internal Control Checklist for School Districts (dated November 2005) that we used as a basis to help assess the adequacy of internal controls. We modified the document for several fraud prevention best practices. These best practices are found in a research company named Thompson Reuters used by CPAs for documenting Sarbanes-Oxley compliance. The document was developed to be comprehensive and includes topics on each of the major business office functions as well as student performance data, food service, and financial condition.

Procedures

We reviewed the prior year's Initial risk assessment, the comprehensive risk assessments done for a particular transaction cycle, external auditors' reports, management letters, State Comptroller's Office reports, and any documentation of transaction cycles available.

We reviewed any updates of the district policy manual and verified items that must be included to comply with State Education Department's checklist.

We re-interviewed key personnel in the district's operating departments. Questions were asked about the internal controls in place and about concerns with the present system. Our objective was to gain an understanding of the control system from their point of view. We made further inquiries about the possibility of fraud and about any problems being experienced.

We examined a "walk-through" example for a transaction cycle to verify that the internal controls described to us were in operation.

From these procedures we obtained an overview of the internal control system. We discussed some of the internal control areas (including any testing discrepancies) with our audit team and with the appropriate district personnel.

Potential Sources of Risk

Risk refers to the uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and the impact of an event that has the potential to influence the achievement of the district's objectives.

When identifying a potential risk, it is important to use several different perspectives.

- **Incentives or pressures**
Risks relating to incentives or pressures might include the observation that excessive emphasis is being placed on meeting budgetary targets, or that District administrators have an abrasive management style.
- **Opportunities to commit fraud, or make errors**
Risks can relate to opportunities present in the District's operating environment, such as unusual or complex transactions that might offer greater chances of errors or means of concealing fraud.
- **Misguided attitudes**
Some attitudes can increase a school district's level of risk. For example, budgets may be created without adequate consideration of likely problems that need to be overcome. Boards may fail to demand corrective action for risk assessment or audit findings. There may be an inappropriate management desire to artificially justify specific programs.

Assessing the Impact and Likelihood of Occurrence

Once a risk has been documented, it is assessed as to its potential impact and its likelihood. Below is a chart that demonstrates the suggested action management needs to take to address an identified risk.

Impact	Significant	Considerable Management Required	Must manage and monitor risks	Extensive management essential
	Moderate	Risk may be worth accepting with monitoring	Management effort worthwhile	Management effort required
	Minor	Accept risk	Accept, but monitor risks	Manage and monitor risks
		Low	Medium	High
Likelihood				

Impact

Impact refers to the extent of the consequences or the implications of that the risk (event). To assess impact, the question that should be answered is "How much of an impact will the event have - if it does occur?"

- A **minor** impact suggests that the event would not have important effects on the organization.
- A **moderate** impact suggests that the event could influence the organization’s ability to succeed.
- A **significant** impact suggests that the event would have a strong negative effect on the organization.

Likelihood

Likelihood refers to the probability that the risk (event) may occur given the current context of the organization. To assess likelihood, the question is "How likely is the risk to occur in the future, given what we already do about it?"

- A **low** likelihood suggests that the risk is unlikely to occur, given its nature and current risk management practices in place.
- A **medium** likelihood of occurrence suggests that the risk has a moderate probability of occurrence.
- A **high** likelihood of occurrence suggests that the risk is likely to occur, despite current risk management practices in place.

Report

The sections are based on the New York State Education Department’s Internal Control Checklist. Each section has:

- Description of the specific topic, definitions, and references
- Table of Risk Conditions Identified and our specific assessment
- Overall Risk Assessment of the specific topic.

Risk Register

The Risk Register summarizes the results of the assessment by general audit areas and their parts.

Risk Register	Impact			Likelihood			Controls in Place
	Minor	Moderate	Significant	Low (90 or above)	Medium (80-90)	High (under 80)	
I. Governance and Planning							
A. Governance & Control Environment			X	X			92%
B. Strategic Planning/Budgeting		X		X			93%
II. Accounting and Reporting							
A. Assessing Financial Condition			X	X			100
B. Financial Accounting & Reporting			X	X			93%
C. Auditing			X	X			92%
D. State Aid & Grants			X		X		89%
III. Revenue and Cash Management							
A. Cash Receipts & Revenue		X			X		89%
B. Cash Management & Investments	X			X			100
C. Petty Cash	X			X			n/a
IV. Purchasing and Expenditures							
A. Purchasing			X		X		89%
B. Accounts Payable		X		X			91%
C. Cash Disbursements			X	X			95%
D. Payroll & Personnel			X		X		89%
E. Travel & Conferences	X			X			100
V. Facilities, Equipment and Inventory Controls							
A. Facilities Maintenance		X			X		88%
B. Facilities Construction			X	X			90%
C. Inventory Controls		X		X			91%
VI. Student Services							
A. Student Transportation		X		X			93%
B. Food Service		X		X			92%
C. Extra-Classroom Activity Fund	X				X		83%
VII. Student Related Data							
A. Attendance		X			X		85%
B. Reliability of Student Performance Data		X		X			97%

I. Governance and Planning

A. Governance and Control Environment

A school Board is responsible for the education of the children residing in its district and must provide for the governance and oversight of the district's affairs, personnel, and properties. To address these responsibilities, the Board should establish a strong control environment, issue comprehensive policies, ensure the district operates in accordance with its mission and all legal requirements monitor the district's financial condition, and ensure the district hires qualified individuals.

The control environment sets the tone of an organization, influencing the control consciousness of its people. The governing Board and other management personnel set the proper tone for the control environment when they establish and effectively communicate a code of ethics and written policies and procedures, behave in an ethical manner, observe the same rules they expect everyone else to observe, and require the appropriate standard of conduct from everyone in the organization. Employees observe how management conducts itself, and that conduct speaks more fluently than the written policies that management expects employees to follow.

Risk Condition Identified	Assessment
<p>The Finance/Audit Committee is responsible for fiscal oversight. Not all internal audit reports are provided to this committee.</p>	<p>The Finance/Audit Committee is an advisory subcommittee of the Board of Directors. Policy D.15 appears to be the Audit Charter for OCS D. Current situation meets the requirements of Education Law §2116-c.</p> <p>School District board members and management are responsible for overseeing internal controls throughout the year. All reported exceptions should be tracked until cleared or periodically analyzed to find the most effective mitigating solution.</p> <p>2021-22 update</p> <p>The Finance/Audit Committee does review reports that are presented, however there is no requests for reports from the committee. However, personnel complaints are reviewed and addressed by the Superintendent then may go to the board.</p>

Risk Condition Identified	Assessment
<p>Technology plan has not been updated during the Pandemic.</p> <p>Technology Plan was updated in 2022 for 2022-25 fiscal. Although updates are provided to NYS BOE annually the Technology Plan is not updated annually.</p>	<p>Technology innovations/issues are in constant flux. Given the speed of technological advancements and risk exposures, OCSD's Technology Plan should be a living document and updated annually.</p> <p>The changes in circumstances (that is Virtual Learning and more online meetings) have increased the level of risk. Schools are at an increasing risk of ransomware attacks and additional focus should be considered in the following areas:</p> <ul style="list-style-type: none"> • Develop and test a formal disaster recovery plan. • Evaluate all existing user accounts, periodically review for necessity and appropriateness. • Monitor computer use to ensure compliance with the Acceptable Use Policy (AUP) and regulations. • Ensure all IT users sign an acknowledgment form indicating that they are aware of and will comply with the District's AUP.
<p>Business office staff is not required to take a vacation during which time another staff member performs the duties of the staff member on vacation.</p>	<p>The majority of frauds require the perpetrator to be in constant control of the asset/records without substitution or backup of the perpetrator during their vacation or sick time. Although challenging in a small staff environment, cross training when feasible is being considered. New personnel are hired with that in mind for the district's critical operations.</p>
<p>Policies do not indicate they are compliant with review and approval requirements.</p> <p>Approved policy and/or changes are not clearly indicated in the policy documents. Older versions appear within the policy document database.</p>	<p>Certain policies require annual periodic review and update that should be indicated on the policy when complete. We did note where policies were presented to the Board for approval, but the date is not noted in online documents. Also, the Purchasing and Investment policies were presented and approved; however, the Purchasing Policy is made up of two documents that should be approved; B34 Purchasing and B39 Uniform Guidance Procurement Policy.</p> <p>In addition, we noticed where the old policy was still accessible along with the updated policy.</p>

Risk Condition Identified	Assessment
<p>The adoption of a written policy shall occur only after the proposal has been moved, discussed and voted on affirmatively at two meetings not less than 29 days apart, of the Board of Education (i.e., the “first reading” and the “second reading”). The policy draft may be amended at the second meeting. The Board may waive “another reading” and then vote on the proposed, amended policy.</p>	<p>Board Minutes indicated that the second meeting for review and approval was waived in all policy approvals for 2021-2022. The second meeting is required and cannot be waived. Only the amended policy second “meeting of not less than 29 days” meeting can be waived.</p>
<p>The Superintendent is given the continuing commission of calling to the Board’s attention all policies that are out-of-date for other reasons appear to need revision.</p>	<p>No indication of this review was identified in the Board minutes. A list of NYS Legally Required Policies that can be tailored to OCSD can be located at: https://www.nyssba.org/policy-services/list-of-legally-required-policies/</p>
<p>All required policies were available from the districts website; however, individual department operating procedures or work steps are not documented or are documented but maintained by and available to the responsible employee only.</p>	<p>Whenever processes are performed by limited staff with no or limited backup personnel, having documented procedures or work steps available for transitioning responsibilities, cross training, and emergency situations provides for continuity of all critical operations. We recommend OCSD management identify critical processes, set a time frame for reasonable completion and maintain this documentation in a central location. Although the Office continues to document processes, we recommend a formal process for updating and maintaining procedures in a central location for office personnel access be required of responsible personnel annually.</p>

Overall Assessment: Significant Impact-Low Likelihood.

Although we found the district has strengthened awareness and procedures in governance aspects, the recommendations listed above would allow the district to continue to strengthen its governance. All critical areas should require documented procedures and reviewed and updated annually.

B. Strategic Planning and Budgeting

Before developing a budget, a Board should have a clear mission, vision, and strategic plan for its district. The budget is one of the Board’s most powerful tools for planning and accountability. The Board’s role generally includes determining the general parameters of the budget, developing, and communicating a philosophy of budgeting that should be applied throughout the district, reviewing and evaluating staff proposals for the budget, and adopting the budget itself

Risk Condition Identified	Assessment
<p>Given the current pandemic situation, the focus has been on dealing with the current situation and long-term planning has not been the schools focus.</p>	<p>Current situation has been consuming of human resource. We encourage the expanded use of outside advisors to assist in focusing on long-term planning.</p>

Overall Assessment: Moderate Impact-Low Likelihood

The Board’s Five-year Capital plan is near completion. Remaining projects are near completion or being tabled. Items have been tracked through the budget and reporting process. Budget transfers are approved by the Board and the policy is consistent with State laws. We recommend expanding the use of outside resources, if possible, to allow management to update their long-range plan. The Board reviews the budget and Capital projects regularly. The long-term financial planning process should remain a living document.

II. Accounting and Reporting

A. Assessing Financial Condition

Financial health is defined as the ability of a district to fund the level and quality of service expected by its citizens in good times and bad. A Board has the responsibility to monitor the fiscal health of a district. Districts and their Boards need to be aware of certain fiscal stress indicators and act to ensure the district operates in a fiscally responsible manner. A district can use certain key indicators, ratios, and trend analysis to help identify areas of financial stress. Several questions that follow will help a district analyze its status among districts statewide by comparison with statewide medians, averages, or certain statutory limits. The OAS web site will maintain current comparative data in its section on financial statement analysis <http://www.oms.nysed.gov/oas/>.

To ensure fiscal stability, districts need to carefully develop balanced budgets for revenues and expenditures for all funds, ensure expenditures are within budgeted amounts, monitor the budgets and amend them as necessary, develop a long-term (three to five-year) fiscal plan and update it annually, maintain a capital asset preservation plan, and use reserve funds as part of fiscal planning.

Risk Condition Identified	Assessment
Unassigned fund balance is above the limit of 4% of next year’s general fund budget.	<p>Management is aware of the limit and have been continually challenged due to the pandemic. This risk is routinely monitored and communicated to the board.</p> <p>2021-22 update</p> <p>The current fund balance is in excess of 6%, however the district has plans in place for capital improvements that should reduce this balance in future budgets.</p>

Overall Assessment: Significant Impact-Low Likelihood

The business office fully utilizes their accounting software to monitor up to date financial reports. These reports are shared with the Board. In addition, in the recent NY State Comptroller’s fiscal stress indicators, the district scored well for the fiscal year 2022.

B. Financial Accounting and Reporting

GML §36 requires districts to use the Uniform System of Accounts for School Districts as prescribed by the Comptroller. Districts must comply with certain accounting principles, policies and procedures, and classification and coding guidelines and must prepare periodic financial reports for the Board and the State. The reports must be based on timely, accurate, and up-to-date accounting records.

Risk Condition Identified	Assessment
<p>The district does not have complete separation of duties within the business office. In general, there are three categories of duties or responsibilities that are examined when segregation of duties is discussed:</p> <ul style="list-style-type: none"> • Custody of assets • Authorization or approval of transactions affecting those assets • Recording or reporting of related transactions. <p>Ideally employees performing any one of the above functions would not also have responsibilities in either of the other two functions. The objective of segregation of duties is to prevent one person from having access to assets and responsibility for maintaining the accountability or authorizing transactions affecting those assets.</p>	<p>Separation of duties within a small office is difficult to accomplish. As a compensating control, monitoring has been implemented. Although good, this is considered a weak control and prone to miss identifying fraud.</p> <p>Purchasing and payments have strong separation of duties or a detailed review process in place.</p> <p>Required skills sets for replacing employees who have left are reviewed and expanded with the possibility of cross training in mind. Although implemented, turnover is low and training backup personnel is limited by time and retaining separation of duties with the increased access required for the position.</p> <p>Note: This item is reported only as a reminder of the importance of the monitoring controls.</p>
<p>Encumbrances are entered into the accounting system before the release of purchase orders and are reduced when payment is made.</p>	<p>System requires, but this control can be overridden. The Vendor change report is run each month, reviewed and signed off by Claims Auditor and Purchasing Agent.</p> <p>Note: Reported for awareness only.</p>
<p>OCSD may pay higher invoice amount and lose discounts due to the approval and processing payment time.</p>	<p>A report should be provided to the Business Manager when this occurs to track additional costs and investigate if significant.</p>

Overall Assessment: Significant Impact - Low Likelihood

The district has imposed monitoring activities on the business office. However, since this control is manual there still exists the opportunity to commit a fraud. Also, some discounts have been lost and higher amounts paid due to the length of time to process payments.

C. Auditing

EL §2116-a and CR §170.2(r) require each Board to obtain an annual audit by an independent auditor. To improve the effectiveness of external audits, Education Laws were amended in July 2005 to mandate a competitive RFP process for selecting external auditors of school districts. The Single Audit Act of 1984 requires that an annual audit of the district's federally assisted programs be included with the annual audit if \$750,000 or more in federal aid is expended. CR §172.3(d) requires that an audit of the Extra-Classroom Activity Fund also be included. EL §2116-a, amended by Chapter 263, Laws of New York 2005 now requires a competitive Request for Proposal (RFP) process for selecting external auditors when contracts expire, or at least every 5 years. This will improve the effectiveness of external audits.

Risk Condition Identified	Assessment
The board's Finance/Audit Committee is responsible to track and clear exception items	The Finance/Audit Committee is responsible for tracking all exception items until they are cleared, compensating controls are implemented and/or the risk is formally accepted. Where risk is accepted, we recommend periodically revisiting to see if mitigating controls can eventually be identified. Automated controls are the strongest; manual controls are most prone to fail.

Overall Assessment: Significant Impact-Low Likelihood

The Finance/Audit Committee should expand its review of external and internal audit reports to include findings and recommendations from the OCSD Complaint Officer, Extra Classroom Accounting and Chartwells' annual internal controls review.

D. State Aid and Grants

Districts are entitled to a variety of aids (formula, expense driven and categorical) from the State as a major source of funding for public education. Each of the aids requires certain claim forms to be submitted on a rigid schedule. In addition, some State and federal grants are allocated to all districts that meet certain criteria and make their applications within certain timeframes, while other grants are competitive and are awarded based on the evaluation of criteria submitted with the application.

Risk Condition Identified	Assessment
The district must comply with the Single Audit Act because Federal Aid is more than \$750,000 dollars.	<p>A Single Audit Report was not present on the district website.</p> <p>2021-22 update</p> <p>Single Audit Reports were prepared late, and the report was posted late to district website.</p>

Overall Assessment: Significant Impact-Medium Likelihood

The district has procedures in place so that there is adequate communication and sharing of information between the program administrators, business office, and external auditors. Any compliance errors are addressed in a timely manner.

III. Revenue and Cash Management

A. Cash Receipts and Revenue

Districts collect millions of dollars in cash and checks each year. Given the nature of cash, there is an inherent risk that funds may be misappropriated. With good internal controls, a district can mitigate the risk of misappropriations and mistakes.

Risk Condition Identified	Assessment
<p>District policy states that all checks be restrictively endorsed when received.</p> <p>The restrictive endorsement is done prior to deposit but not immediately when checks are received. (Upon opening the mail)</p>	<p>Timely restrictive endorsements are essential to prevent fraudulent deposit activity. Current trend in banking is to allow remote deposit of funds, this software should be tested and approved for use by the district.</p>
<p>No periodic check is done comparing bank statement deposit dates and amounts with book entries of cash receipts.</p>	<p>The district should periodically verify that deposits are made in a timely manner.</p> <p>2021-22 Update</p> <p>Deposits are verified day by day but may be verified several days after deposit should be made.</p>

Overall Assessment: Moderate Impact-Medium Likelihood

Employees who handle cash are bonded. Most cash received by the district is directly wired to the bank account. Cash received should comply with district policy with checks restrictively endorsed when received. Deposit verification may be delayed by several days.

B. Cash Management and Investments

Districts may temporarily invest funds that are not required for immediate expenditures. GML §§11(2) and (3) provides that investments must be payable or redeemable within such time as the proceeds will be needed to meet expenditures. GML §11(6) further states that moneys invested by a district may be commingled for investment purposes provided that at all times the district must maintain records showing the separate identity of the sources of such funds, and the interest earned must be credited on a pro rata basis to the fund or account from which the moneys were invested.

Risk Condition Identified	Assessment
<p>The district's procedure to determine if excess cash is available for investment is not formal, it is based on the judgment of the business manager</p>	<p>The district relies upon an individual to invest idle cash. The school has hired a financial advisory firm to assist with this as interest rates are gradually increasing. We concur with this practice.</p>

Overall Assessment: Minor Impact-Medium Likelihood

The required comprehensive investment policy is in place and investing procedures are documented.

C. Petty Cash

EL §1709(29) and CR §170.4 authorize districts to establish petty cash funds up to the amount of \$100 each for the payment of itemized bills for materials, supplies, and services. The Board must adopt rules and regulations regarding the operation of the funds.

Risk Condition Identified	Assessment
All petty cash funds have been discontinued.	None.

Overall Assessment: Minor Impact-No Likelihood

Petty cash funds have been discontinued.

IV. Purchasing and Expenditures

A. Purchasing

Districts purchase thousands of products and services each year. A district's purchasing process should ensure maximum value is received for each dollar spent on equipment, supplies, and contracted services. Strong controls are necessary to ensure purchases result in securing goods and services in the right quantity, at the right time, and for the right price, and to ensure that purchases are made in compliance with the law and district policy. All purchases should be necessary, reasonable, and adequately documented. Districts should adhere to their purchasing policies and procedures under the direction of a purchasing agent.

Risk Condition Identified	Assessment
The district does not include a right-of-audit clause in contracts or review the existing annual internal control document.	For cafeteria services, OCSD uses mandated format from NYS Child Nutrition Unit. Chartwells' contract requires them to perform an annual internal control review. Transportation requires supporting documentation for all billings. Prior report noted OCSD still operating under Birnie Bus contract. New contract with Durham School Services was reviewed. No right-of-audit clause is included in the contract.
The district has added how vendors can report fraud, waste, and abuse to all purchase orders. All complaints follow an escalation process. The School Board is not involved with this process.	Approved vendor purchase orders include fraud, waste, and abuse reporting information. All vendor changes are reviewed quarterly by the Business Manager and Claims Auditor. The Claims Auditor is relied upon to address fraud risk. The Complaint Officer does not prepare a report for Finance/Audit Committee.

Overall Assessment: Significant Impact-Medium Likelihood

A failure in the purchasing function would cause significant losses to the district. The district has good controls in place; requisition and purchase orders are segregated. Fraud, waste and abuse procedures are not in writing. We recommend all contracts include a right-of-audit clause.

B. Accounts Payable

In districts, paying bills is an important function to maintain a satisfactory credit standing with vendors and enable a district to maintain an adequate cash flow. Education Law, Commissioner’s Regulations, and good business practice provide guidance to districts.

Risk Condition Identified	Assessment
Invoices are not perforated or stamped at the time the check is signed for payment to prevent paying the same invoice twice. All the documentation is present and attached.	The invoice is more likely to be paid twice if it is not perforated or stamped; however, check stubs are attached. Note: For awareness only.
Multiple credit cards and retail credit accounts exist, this can be misused.	Purchasing policy needs to address controls for the use of credit/debit cards and credit accounts with vendors. Required procedures can easily be circumvented with the increased use of these charging mechanisms. Possible delays in receiving proper documentation could also create late fee payments.
The Claims Audit procedures are not documented.	The role of Claims Auditor is important for adequate review of all payables for proper supporting documentation. The newly appointed Claims Auditor was not provided documented procedures for his new role.

Overall Assessment: Moderate Impact-Low Likelihood

An increase in the number of district credit/debit cards and retail store accounts increases the possibility of incurring late fees and the risk of fraud in this area and therefore should be closely monitored for timely supporting documentation. Also, we recommend documenting the procedures for the Claims Auditor’s role.

C. Cash Disbursements

In districts, paying bills is an important function to maintain a satisfactory credit standing with vendors and enable a district to maintain an adequate cash flow. Education Law, Commissioner’s Regulations, and good business practice provide guidance to districts.

Risk Condition Identified	Assessment
Electronic signatures are more likely to be abused.	Electronic signature device is strictly controlled by the check signors. Note: For awareness only

Overall Assessment: Significant Impact-Low Likelihood

Adequately separating four basic functions – authorization, custody, record keeping, and verification/reporting. The small business office has combined duties, this requires monitoring by management and makes identifying and training backup personnel difficult. An authorized check signer has been designated by the Board. Invoices and claims for payment are reviewed for accuracy and approved prior to payment. Positive pay has been implemented.

D. Payroll and Personnel

In most districts, salaries and fringe benefits make up the single largest expense category in a district's budget. As such, the payroll function should be clearly defined through policy and procedures and closely supervised. In addition, the personnel function should also provide assurance that the district is obtaining and retaining the most qualified individuals.

Risk Condition Identified	Assessment
<p>There is no employee handbook. New employees are provided with a copy of their contract and various policies that they must comply with. Required forms are available online.</p>	<p>Most if not all employees are covered by a union contract. A district employee handbook is planned for development as time allows and should be accessible online. No change.</p> <p>Information exists on the website for temporary employees, none for full-time employees.</p>
<p>Unclaimed paychecks and returned W-2s are returned to Payroll Clerk. The individual processing payroll transactions should be different from individuals responsible for the general ledger function, payroll distribution and reconciliation of the payroll bank account.</p>	<p>The Payroll Clerk no longer distributes payroll checks. Returned mailed checks are sent to the Payroll Clerk giving that person the opportunity to divert the payment. Periodically confirming the existence of all employees receiving checks would help mitigate this risk.</p> <p>2021-22 Update</p> <p>Physical (paper) checks are less than 10 items per payroll. Generally, are for temporary employees such as students or substitutes. Most payroll checks are directly deposited to employee accounts. A periodic person-to-person payroll check delivery and sign off is not performed.</p>
<p>The payroll clerk is the individual designated as the organization's contact with taxing authorities.</p>	<p>The risk of misappropriating funds is possible by manipulation of withholding payments. A secondary contact person has been identified; however, to date has not been fully trained. Also, the Business Manager has some knowledge in this area.</p>
<p>The payroll clerk is the individual designated as the organization's contact with vendors to which amounts withheld from paychecks are sent. No additional contact person is identified in case issues are identified.</p>	<p>The risk of misappropriating funds is possible by manipulation of withholding payments. A secondary contact person has been identified; however, to date has not been trained due to pandemic.</p> <p>2021-22 Update</p> <p>Secondary person is not in place in 2022 fiscal year.</p>

Risk Condition Identified	Assessment
The district does not require mandatory vacations of employees in the personnel and payroll functions.	<p>As Payroll is considered a critical application, a cross-trained employee should perform this function whenever the Payroll Clerk is using required vacation or sick time. A backup person has been identified; however, to date has not been trained due to the pandemic. As things begin to return to normalcy, this should be given priority.</p> <p>2021-22 Update</p> <p>Secondary person is not in place in 2022 fiscal year.</p>

Overall Assessment: Significant Impact - Medium Likelihood

The business office has combined duties from necessity or practicality; this requires monitoring by management. Compensating controls have been implemented. As Payroll is considered a critical application, backup of this function is important. A new employee is budgeted for Payroll duties. Although turnover is low, when hiring new employees, skill sets are reviewed to create stronger back up for critical applications. A periodic payroll review of files to contracts/salary notices/board appointments to actual payroll along with a check of delivery both direct deposits. Business Office Manager, Department Employees and Department Managers should together review a list of employees to verify that the employee is a real person. This would provide a stronger control in this area.

E. Travel and Conferences

The claims section of the Office of the State Controller’s Financial Management Guide for Local Governments specifies the requirements and guidelines for the expenses of district officials and staff attending conferences. It states the Board should promulgate rules and regulations concerning reimbursement of expenses. Specifically, they should set forth the types of expenses that are reimbursable, the procedures and documentation necessary to support reimbursement, and any reasonable dollar or time limits. The guiding principle should be that all expenses are reasonable, necessary, and directly related to district operations. Districts may permit and pay for the attendance of Board members, officers, and staff at conferences, conventions, or seminars for the benefit of the district (GML §77-b (1), (3)). Districts should maintain complete and accurate documentation to support travel and conference expenses. The documentation should include hotel bills, flight tickets, and receipts for meals, mileage logs, and other items.

Risk Condition Identified	Assessment
No exceptions noted.	<p>Most training was done via Zoom this year. Participants are still required to share their knowledge.</p>

Overall Assessment: Minor Impact-Low Likelihood

The district benefits from requiring presentations by conference participants thus sharing information obtained at conferences.

V. Facilities, Equipment, and Inventory Controls

A. Facilities Maintenance

One of a Board's responsibilities is to maintain its school buildings. Components of the district's Comprehensive Public School Safety Program (See Safety and Security section) help to ensure that school facilities are properly maintained and preserved and provide suitable educational settings. They include building condition surveys, annual visual inspections, five-year capital facilities plan, and a monitoring system.

Risk Condition Identified	Assessment
Long-range planning slowed due to current project delays.	The Superintendent is the Facilities Manager. The Business Manager now assists with some of the Buildings and Grounds responsibilities. Pandemic has made long range planning difficult to address.

Overall Assessment: Moderate Impact-Medium Likelihood

An annual facilities inspection is performed by the District's insurance company. The Superintendent reports to the board regularly. We recommend developing a 3-5-year plan for OCS D facilities.

B. Facilities Construction

The Department must administer and enforce the State Uniform Fire Prevention and Building Code with respect to activities related to buildings, premises, and equipment of districts (CR 441.2(d)). The uniform code applies to every facility owned or operated by a district. The Department enforces this code by requiring an annual fire inspection based on a fire inspection report process (the annual Certificate of Occupancy process) and by approving plans and specifications for all capital construction involving these facilities (building permit process). The Office of Facilities Planning has established procedures for these and other processes and information is available on their web site <http://www.emsc.nysed.gov/facplan/>.

Risk Condition Identified	Assessment
Construction delays.	<p>Level II completion scheduled for September 2019 was not met. The New Superintendent took over the project. Cost overruns were experienced. Remaining items are identified and either planned or on hold.</p> <p>2021-22</p> <p>Project is completed and final cost reports are submitted.</p> <p>Note: For awareness only.</p>

Overall Assessment: Significant Impact-Low Likelihood

The impact of a failure of facilities construction process would obviously have a long-range impact on the district. Major construction project ended.

C. Inventory Controls

Districts generally have a significant investment in their fixed assets including land, buildings, and equipment. Inventory controls over (all) assets are needed to safeguard property against loss, establish effective utilization, determine needs, and identify surplus items. Adequate controls include maintaining complete and accurate records, tagging assets with ownership and identification labels, and periodically conducting physical inventories.

The maintenance of adequate asset records and the fair reporting of fixed assets enable districts to conform to generally accepted accounting principles and provide management with tools for establishing appropriate controls.

Risk Condition Identified	Assessment
Although files are maintained, no reconciliation to detailed property and equipment records is performed in the interim.	Inventory such as technology is tracked by person. We recommend doing a random sampling of certain inventory items annually to confirm item to records.
District has a policy that allows for disposal of district property that does not agree with current practice.	<p>The policy states that employees cannot bid on assets. OCSD should update its policy to agree with current practice.</p> <p>2021-22 Update</p> <p>Public Auction site (Auctions International) is used; however, employees are allowed to bid on items.</p>

Overall Assessment: Moderate Impact-Low Likelihood

The failure of inventory controls may have a material impact for items that can be converted to personal use. The inventory system itself is monitored or reconciled infrequently to the accounting records., We recommend annually sampling assets for physical inspection.

VI. Student Services

A. Student Transportation

Districts, except city school districts, are required to transport all students including those attending nonpublic schools and charter schools. A district may use private carriers and/or public transportation to transport students to and from school.

Risk Condition Identified	Assessment
The district relies on the contracted vendor to monitor driver qualifications.	<p>The district should monitor driver qualification and obtain an understanding of the vendor's procedures for hiring new bus drivers.</p> <p>Management continues to identify ways to strengthen communications with the vendor. Contract terms should include service level performance to ensure that the vendor has a vested interest in performing duties diligently.</p>

Overall Assessment: Moderate Impact-Medium Likelihood

With the high turnover of drivers, the possibility exists for errors. With the pandemic, this has been challenging. We believe from our discussions that management continues to monitor its concerns with the vendor’s service level.

B. Food Service

Districts may operate and maintain a school lunch program, breakfast program, and milk program. In addition, districts can provide, maintain, and operate a cafeteria or restaurant for the use of students and teachers while they are at school.

To the extent that State and federal funds are available, districts eligible to participate in the National School Lunch, School Breakfast, and Special Milk Programs are reimbursed monthly for meals served that meet meal pattern requirements. Claims for reimbursement will be made on the basis of claims submitted to the Commissioner in the form required.

Risk Condition Identified	Assessment
Contracted service involving multiple vendors while relying on Federal and State subsidies for their revenue. Errors can point to multiple sources. This year’s program was subsidized 100% for students due to the pandemic.	The district contracts with DCMO BOCES to manage the food service management vendor. Management monitors this relationship and its food service financial information regularly.
Chartwell contract annual internal control review	<p>The results of this review should be provided to school management and the Finance/Audit Committee.</p> <p>2021-22 Update</p> <p>Regular reports received are reviewed with the board, however these reports are not requested by management or the board.</p>

Overall Assessment: Moderate Impact-Low Likelihood

We recommend continuing to find ways to improve profitability. In addition, the internal controls review completed annually by Chartwells, should be provided to the Finance/Audit Committee.

C. Extra-Classroom Activity Fund

Extra-Classroom Activity Funds are defined in CR §172.1 as funds "raised other than by taxation or through charges of a Board of education" for, by, or in the name of a school, student body, or any subdivision thereof. The activities are operated by and for the students. The students collect money and spend it as they determine, in accordance with established regulations. CR §172 specifies the requirements for Extra-Classroom Activity Funds. In addition, the Department has prepared Finance Pamphlet 2 found at, http://www.emsc.nysed.gov/mgt/serv/extrclas_old.pdf, The Safeguarding, Accounting, and Auditing of Extra-Classroom Activity Funds to assist Boards and schools in establishing Extra-Classroom Activity Funds and setting up procedures for the management and accounting for the funds.

Risk Condition Identified	Assessment
Due to pandemic, no ECA training was completed with officers and advisors as of the review date. School starting back to in-person in April 2021.	<p>ECA clubs provide an opportunity for students to learn valuable life skills in finance. Students missed a valuable opportunity to learn these skills.</p> <p>2021-22 Update</p> <p>Regular reports are provided to the board from the Central Treasurer of Extra Curricular Accounts appointed by the board.</p>
Fundraising budgets are not routinely prepared.	<p>2021-22 Update</p> <p>Recommended reports are not always prepared by club treasurers.</p>

Overall Assessment: Minor Impact-Medium Likelihood

We recommend once school returns to in-person that student club officers be given the appropriate training for controlling club finances and fundraising activities and learn how to prepare budget to actual reports.

VII. Student Related Data

A. Attendance

The Board of Regents amended CR §104.1, effective November 29, 2001, affecting the content and responsibility for the record of pupil attendance, the responsibility to review attendance data, and development of a comprehensive attendance policy.

Attendance is a critical factor for student success in school. Consistent school attendance, improved academic performance, and school completion have a positive correlation that can help to ensure all students reach higher standards established by the Board of Regents.

School attendance records must be kept for use in the enforcement of EL §§3024, 3025, 3211(1), and as the source for the average daily attendance used to help determine a district's State aid allocation.

Risk Condition Identified	Assessment
Errors impact state aid. Changes due to the pandemic had to be implemented.	<p>Changes were made to accommodate newly implemented teaching changes. The process in place appears adequate.</p> <p>2021-22 Update</p> <p>Offsite attendance reporting occurred, requires additional reconciliation procedures to verify accuracy.</p>

Overall Assessment: Moderate Impact-Medium Likelihood

Errors in attendance have a direct impact in state aid. The District’s revised procedures were closely monitored.

B. Reliability of Student Performance Data

The Department issues an annual report card for each district to measure students' progress in each school building in a district based on information it receives annually on educational programs and services, student performance, and fiscal data from each public school district and each nonpublic school.

The School Report Card measures the academic and fiscal performance of the district, as prescribed by the Commissioner (see CR §100.2(bb)). The Report Card compares local performance measures to statewide averages for all public schools, and statewide averages for all public schools of comparable wealth and need. It includes any district information on pupil performance and expenditures per pupil required to be included in the annual report by the Board of Regents to the Governor and the Legislature, pursuant to EL §215-a, and any other information required by the Commissioner.

The Department requires districts to submit accurate information relating to dropout, student test scores, enrollment, and cohort information for publication in reports that are available to State policy makers, taxpayers, and parents. The Department, State policy makers, and taxpayers rely on this data when assessing district performance and allocating State aid. Districts, depending on their size and capability, may use manual or computer systems to track and report this data.

However, in the 2001-02 school year, the Department implemented mandatory electronic reporting. The new software, the System for Tracking Education Performance (STEP), replaces pencil-and-paper reports. This system provides more accurate, efficient, and uniform reporting across districts and greater ability for districts to use data to improve school programs. STEP also eliminates the need for Title I high schools to submit LEAP (Local Education Agency Program) files.

To ensure student performance data are complete, accurate, and submitted timely, districts should establish certain systems and processes to document, track, and report this data.

Risk Condition Identified	Assessment
The district can track individual student that remain in the state.	<p>Students leaving the district to another state are not tracked. This would only be a concern if they returned to NYS.</p> <p>Note: No issue to report.</p>

Overall Assessment: Moderate Impact-Low Likelihood

The district adheres to the procedures and guidelines outlined in the SIRS manual. The records are current and contain the basic elements required by the State Education Department.

2021-2022 Annual Risk Assessment with District Response

Purpose of Report: Identification of potential risks to attaining the district’s objectives and providing the Board a basis for managing risks.

I. GOVERNANCE AND PLANNING

A. Governance and Control Environment-Overall Assessment-Significant Impact-Low Likelihood. Although we found the district has strengthened awareness and procedures in governance aspects, the recommendations listed below would allow the district to continue to strengthen its governance. All critical areas should require documented procedures should be reviewed and updated annually.

Risk Condition Identified	Auditor Assessment	District Response
<p>The Finance/Audit Committee is responsible for fiscal oversight. Not all internal audit reports are provided to this committee.</p>	<p>The Finance/Audit Committee is an advisory subcommittee of the Board of Directors. Policy D.15 appears to be the Audit Charter for OCSD. Current situation meets the requirements of Education Law 2116-c. School district board members and management are responsible for overseeing internal controls throughout the year. All reported exceptions should be tracked until cleared or periodically analyzed to find the most effective mitigation solution.</p> <p>2021-2022 Update: The Finance/Audit Committee does review reports that are presented, however there is no requests for reports from the committee. However, personnel complaints are reviewed and addressed by the Superintendent then may go to the board.</p>	<p>Audit exceptions and recommendations are presented and discussed at the Finance/Audit Committee. Complaints are shared with full board by Superintendent either in regular or executive session, as they may not be financial in nature. Information received from Chartwells (Cafeteria) and Transportation related information is shared with the Committee.</p>
<p>Technology Plan has not been updated during the Pandemic. Technology Plan was updated 2021-2022 for 2022-25 fiscal. Although updates are provided to NYS and BOE annually the Technology Plan is not updated annually.</p>	<p>Technology innovations/issues are in constant flux. Given the speed of technological advancements and risk exposures, OCSD’s Technology Plan should be a living document and updated annually. The changes in circumstances (that is Virtual Learning and more online meetings) have increased the level of risk. Schools are at an increasing risk of ransomware attacks and additional focus should be considered in the following areas:</p> <ul style="list-style-type: none"> • Develop and test a formal disaster recovery plan. • Evaluate all existing user accounts, periodically review for necessity and appropriateness. • Monitor computer use to ensure compliance with the Acceptable Use Policy (AUP) and regulations. • Ensure all IT users sign an acknowledgement form indicating that they are aware of and will comply 	<p>IT Department has confirmed the accuracy of this finding/recommendation and is in compliance.</p>

	with the District's AUP.	
Business office staff is not required to take a vacation during which time another staff member performs the duties of the staff member on vacation.	The majority of frauds require the perpetrator to be in constant control of the asset/records without substitution or backup of the perpetrator during their vacation or sick time. Although challenging in a small staff environment, cross training when feasible is being considered. New personnel are hired with that in mind for the district's critical operations.	Finding is correct. Business Office staff are currently cross trained on payroll and benefits. Accounts Receivable module has been purchased in our accounting software in order to track health insurance. Health insurance benefit and cash receipt duties have been distributed to others in the office so we have made progress toward separating duties from the Treasurer/Payroll, Benefits Clerk. Cross-training will be complete by June 30, 2023.
Policies do not indicate they are compliant with review and approval requirements. Approved policy and/or changes are not clearly indicated in the policy documents. Older versions appear within the policy document database.	Certain policies require periodic review and update that should be indicated on the policy when complete. We did note where policies were presented to the Board for approval, but the date is not noted in online documents. Also, the Purchasing and Investment policies were presented and approved; however, the Purchasing Policy is made up of two documents that should be approved; B34 Purchasing and B39 Uniform Guidance Procurement Policy. In addition, we noticed where the old policy was still accessible along with the updated policy.	District has contracted with the Erie I Policy Service to do a complete overhaul of our districts Policy Manual. We are in the final stages and will have this task complete by June 2023.
The adoption of a written policy shall occur only after the proposal has been moved, discussed and voted on affirmatively at two meetings not less than 29 days apart, of the Board of Education (ie., the "first reading" and the "second reading"0. The policy draft may be amended at the second meeting. The Board may waive "another reading" and then vote on the proposed amended policy.	Board minutes indicated that the second meeting for review and approval was waived in all policy approvals for 2021-2022. The second meeting is required and cannot be waived. Only the amended policy second "meeting of not less than 29 days" meeting can be waived.	This information will be shared with the Policy Committee so that future policy approvals are compliant.
The Superintendent is given the continuing commission of calling to the Board's attention all policies that are out-of-date for other reasons appear to need revision.	No indication of this review was identified in the Board minutes. A list of NYS Legally Required Policies that can be tailored to OCSB can be located at: https://www.nyssba.org/policy-services/list-of-legally-required-policies/	District has contracted with the Erie I Policy Service to do a complete overhaul of our districts Policy Manual. We are in the final stages and will have this task complete by June 2023.

<p>All required policies were available from the districts website; however, individual department operating procedures or work steps are not documented or are documented but maintained by and available to the responsible employee only.</p>	<p>Whenever processes are performed by limited staff with no or limited backup personnel, having documented procedures or work steps available for transitioning responsibilities, cross training, and emergency situations provides for continuity of all critical operations. We recommend OCSD management identify critical processes, set a time frame for reasonable completion and maintain this documentation in a central location. Although the Office continues to document processes, we recommend a formal process for updating and maintaining procedures in a central location for office personnel access be required of responsible personnel annually.</p>	<p>Finding noted. Superintendent has requested all district office personnel document duties, especially routine every day responsibilities and related procedures. Business Office has created a shared drive to load and share these processes and procedures and is continuously developing standard forms.</p>
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B. Strategic Planning and Budgeting-Overall Assessment-Moderate Impact-Low Likelihood. The Board’s Five-year Capital Plan is near completion. Remaining projects are near completion or being tabled. Items have been tracked through the budget and reporting process. Budget transfers are approved by the Board and policy is consistent with State laws. We recommend expanding the use of outside resources, if possible, to allow for management to update their long range plan. The Board reviews the budget and Capital Projects regularly. The long-term financial planning process should remain a living document.

Risk Condition Identified	Auditor Assessment	District Response
<p>Given the current pandemic situation, the focus has been on dealing with the current situation and long-term planning has not been the schools focus.</p>	<p>Current situation has been consuming of human resource. We encourage the expanded use of outside advisors to assist in long-term planning.</p>	<p>District is currently working with the architect and financial advisor on a Building Condition Survey and Five Year Plan. This will be complete in the 2023-24 fiscal year.</p>

II. ACCOUNTING AND REPORTING

A. Assessing Financial Condition-Overall Assessment-Significant Impact-Low Likelihood. The business office fully utilizes their accounting software to monitor up to date financial reports. These reports are shared with the Board. In addition, in the recent NYS Comptroller’s fiscal stress indicators, the district scored well for the fiscal year 2022.

Risk Condition Identified	Auditor Assessment	District Response
<p>Unassigned fund balance is above the limit of 4% of next year’s general fund budget.</p>	<p>Management is aware of the limit and have been continually challenged due to the pandemic. This risk is routinely monitored and communicated to the board.</p> <p>The current fund balance is in excess of</p>	<p>Acknowledged. There is a Capital Reserve Proposition on the May 16, 2023 ballot for voter consideration.</p>

	6%, however the district has plans in place for capital improvements that should reduce this balance in future budgets.	
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B. Financial Accounting and Reporting-Overall Assessment-Significant Impact-Low Likelihood. The district has imposed monitoring activities on the business office. However, since this control is manual there still exists the opportunity to commit fraud. Also, some discounts have been lost and higher amount paid due to the length of time to process payments.

Risk Condition Identified	Auditor Assessment	District Response
<p>The district does not have complete separation of duties within the business office. In general, there are three categories of duties or responsibilities that are examined when segregation of duties is discussed:</p> <ul style="list-style-type: none"> • Custody of assets • Authorization or approval of transactions affecting those assets • Recording or reporting of related transactions. <p>Ideally employees performing any one of the above functions would not also have responsibilities in either of the other two functions. The objective of segregation of duties is to prevent one person from having access to assets and responsibility for maintaining the accountability or authorizing transactions affecting those assets.</p>	<p>Separation of duties within a small office is difficult to accomplish. As a compensating control, monitoring has been implemented. Although good, this is considered a weak control and prone to miss identifying fraud.</p> <p>Purchasing and payments have strong separation of duties or a detailed review process in place.</p> <p>Required skill sets for replacing employees who have left are reviewed and expanded with the possibility of cross training in mind. Although implemented, turnover is low and training backup personnel is limited by time and retaining separation of duties with the increased access required for the position.</p> <p>Note: This item is reported only as a reminder of the importance of the monitoring controls.</p>	<p>District has and will continue to separate duties, cross train, and put monitoring controls in place whenever possible.</p>
<p>Encumbrances are entered into the accounting system before the release of purchase orders and are reduced when payment is made.</p>	<p>System requires, but this control can be overridden. Vendor change report is run each month, reviewed and signed off by Claims Auditor and Purchasing Agent.</p> <p>Note: Reported for awareness only.</p>	<p>Finding is correct. Vendor change report is run on a regular basis.</p>
<p>OCSD may pay higher invoice amounts and lose discounts due to the approval and processing payment time.</p>	<p>A report should be provided to the Business Manager when this occurs to track additional costs and investigate if significant.</p>	<p>Accounts Payable Clerk is aware of discounts available and takes them whenever possible. This includes more recent set up of some ACH payments to vendors.</p>

- C. **Auditing-Overall Assessment-Significant Impact-Low Likelihood.** The Finance/Audit Committee should expand its review of external and internal audit reports to include findings and recommendations from the OCSD Complaint Officer, Extra Classroom Accounting and Chartwells' annual internal controls review.

Risk Condition Identified	Auditor Assessment	District Response
The board's Finance/Audit Committee is responsible to track and clear exception items.	The Finance/Audit Committee is responsible to track all exception items until they are cleared, compensating controls are implemented and/or the risk is formally accepted. Where risk is accepted, we recommend periodically revisiting to see if mitigating controls can eventually be identified. Automated controls are the strongest; manual controls are most prone to fail.	See above response regarding Audit Committee. The Audit/Finance Committee will review the audit reports in detail and report findings and recommendations to the full Board. Business Manager has reviewed all findings and recommendations with Business Office personnel. We will keep review as a standing item.

- D. **State Aid and Grants-Overall Assessment-Significant Impact-Medium Likelihood.** The district has procedures in place so that there is adequate communication and sharing of information between the program administrators, business office and external auditors. Any compliance errors are addressed timely.

Risk Condition Identified	Auditor Assessment	District Response
The district must comply with the Single Audit Act because Federal Aid is more than \$750,000 dollars.	A Single Audit Report is not present on the district website. Single Audit Reports were prepared late, and the report was posted late to the district website.	Single Audit Report has been posted to the district website.

III. REVENUE AND CASH MANAGEMENT

- A. **Cash Receipts and Revenue-Overall Assessment-Moderate Impact-Medium Likelihood.** Employees who handle this cash are bonded. Most cash received by the district is directly wired to the bank account. Cash received should comply with district policy with checks restrictively endorsed when received. Deposit verification may be delayed by several days.

Risk Condition Identified	Auditor Assessment	District Response
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District policy states that checks are restrictively endorsed when received. The restrictive endorsement is done prior to deposit but not immediately when checks are received. (Upon opening the mail).	Timely restrictive endorsements are essential to prevent fraudulent deposit activity. Current trend in banking is to allow remote deposit of funds, this software should be tested and approved for use by the district.	Checks are endorsed upon receipt in the Business Office.
No periodic check is done comparing bank statement deposit dates and amounts with book entries of cash receipts.	District should periodically verify that deposits are made timely. 2021-22 Update: Deposits are verified day by day but may be verified several days after deposits should be made.	Deposits and dates are verified monthly during bank reconciliation process. Business Manager also checks bank accounts on line on a regular basis to check balances and deposits.

B. Cash Management and Investments-Overall Assessment-Minor Impact-Low Likelihood. The required comprehensive investment policy is in place and investing procedures are documented.

Risk Condition Identified	Auditor Assessment	District Response
The district's procedure to determine if excess cash is available for investment is not formal, it is based on the judgment of the business manager.	The district relies on an individual to invest idle cash. The school has hired a financial advisory firm to assist with this as interest rates are gradually increasing. We concur with this practice.	District has entered into a banking relationship with NYLAF and has invested excess funds in interest bearing accounts.

C. Petty Cash-Overall Assessment-Minor Impact-No Likelihood. Petty cash funds have been discontinued.

Risk Condition Identified	Auditor Assessment	District Response
All petty cash funds have been discontinued.	None.	

IV. PURCHASING AND EXPENDITURES

A. Purchasing-Overall Assessment-Significant Impact-Low Likelihood. A failure of the purchasing function would cause significant losses to the district. The district has good controls in place; requisition and purchase orders are segregated. We recommend all contracts include a right of audit clause.

Risk Condition Identified	Auditor Assessment	District Response
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<p>The district does not include a right-of-audit clause in contracts or review the existing annual internal control document.</p>	<p>For cafeteria services, OCSD uses mandated format from NYS Child Nutrition Unit. Chartwells' contract requires them to perform annual internal control review.</p> <p>Transportation requires supporting documentation for all billings. Prior report noted OCSD still operating under Birnie Bus contract. New contract with Durham School Services was reviewed. No right-of-audit clause included in contract.</p>	<p>Finding is correct. For Cafeteria services, district uses mandated format from NYS Child Nutrition Unit. We have requested a sample of this from the auditor as well as requested Internal Control review from Chartwells.</p> <p>There IS a right to access vendor audits in the Durham Contract.</p>
<p>The district has added how vendors can report fraud, waste and abuse to all purchase orders. All complaints follow an escalation process. The School Board is not involved with this process.</p>	<p>Approved vendor purchase orders include the fraud, waste, and abuse reporting information. All vendor changes are reviewed quarterly by the Business Manager and Claims Auditor. The Claims Auditor is relied upon to address fraud risk.</p> <p>The Complaint Officer does not prepare a report for Finance/Audit Committee.</p>	<p>Business Office will request from Business office staff a report of any complaints filed that are financial in nature. This will be reported to the Finance/Audit Committee.</p> <p>Superintendent has and will continue to report complaints and concerns of a non-Financial nature to the board in regular communication or executive session as appropriate. This system is currently working well.</p>

B. Accounts Payable-Overall Assessment-Moderate Impact-Low Likelihood. An increase in the number of district credit/debit cards and retail store accounts increases the possibility of incurring late fees and the risk of fraud in this area and therefore should be closely monitored for timely supporting documentation. Also, we recommend documenting the procedures for the Claims Auditor role.

Risk Condition Identified	Auditor Assessment	District Response
<p>Invoices are not perforated or stamped at the time the check is signed for payment to prevent paying the same invoice twice. All the documentation is present and attached.</p>	<p>The invoice is more likely to be paid twice if it is not perforated or stamped; however check stubs are attached.</p> <p>Note: For awareness only.</p>	<p>Risk accepted. The district has adequate procedures in place.</p>
<p>Multiple credit cards and retail credit accounts exist, this can be misused.</p>	<p>Purchasing policy needs to address controls for the use of credit/debit cards and credit accounts with vendors. Required procedures can easily be circumvented with the increased use of these charging mechanisms. Possible delays in receiving proper documentation could also create late fee payments.</p>	<p>Business Office will meet to discuss most effective control process to monitor this activity before it occurs as well as a timely documentation collection process. It may vary by vendor.</p> <p>All credit card purchases require an approved purchase order.</p>

The Claims Audit procedures are not documented.	The role of the Claims Auditor is important for adequate review of all payables for proper supporting documentation. The newly appointed Claims Auditor was not provided documented procedures for his new role.	District was unaware that new Claims Auditor was not provided with documented procedures. District has provided training.
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C. Cash Disbursements-Overall Assessment-Significant Impact-Low Likelihood. Adequate separating four basic functions-authorization, custody, record keeping, and verification/reporting. The small business office has combined duties, this requires monitoring by management and makes identifying and training backup personnel difficult. An authorized check signer has been designated by the Board. Invoices and claims for payment are reviewed for accuracy and approved prior to payment. Positive pay has been implemented.

Risk Condition Identified	Auditor Assessment	District Response
Electronic signatures are more likely to be abused.	Electronic signature device is strictly controlled by the check signors. Note: For awareness only.	

D. Payroll and Personnel-Overall Assessment-Significant Impact-Medium Likelihood. The business office has combined duties from necessity or practicality; this requires monitoring by management. Compensating controls have been implemented. As Payroll is considered a critical application, backup of this function is important. A new employee is budgeted for payroll duties. Although turnover is low, when hiring new employees, skill sets are reviewed to create stronger back up for critical applications. A periodic review payroll review of files to contracts/salary notices/board appointments to actual payroll along with a check of delivery both direct deposits. Business Office Manager, Department Employees and Department Managers should together review a list of employees to verify that the employee is a real person. This would provide a stronger control in this area.

Risk Condition Identified	Auditor Assessment	District Response
There is no employee handbook. New employees are provided a copy of their contract and various policies that they must comply with. Required forms are available online.	Most if not all employees are covered by a union contract. A district handbook is planned for development as time allows and should be accessible online. No change. Information exists on the website for temporary employees, none for full time	District acknowledges the value of an employee handbook. A mentor and substitute handbook has been created.

	employees.	
Unclaimed paychecks and returned W-2s are returned to Payroll Clerk. The individual processing payroll transactions should be different from individuals responsible for the general ledger function, payroll distribution and reconciliation of the payroll bank account.	<p>The Payroll Clerk no longer distributes payroll checks. Returned mailed checks are sent to the Payroll Clerk giving that person the opportunity to divert the payment. Periodically confirming the existence of all employees receiving checks would help mitigate this risk.</p> <p>2021-22 Update:</p> <p>Physical (paper) checks are less than 10 per payroll. Generally, are for temporary employees such as students and substitutes. Most payroll checks are direct deposited to employee accounts. A periodic person-to-person payroll check delivery and sign off is not performed.</p>	<p>Payroll checks are distributed by mail courier.</p> <p>The individual responsible for payroll is not the person responsible for general ledger function or reconciliation of bank account. They are assigned to a different individual.</p> <p>Business Manager reconciles budget to actual for each employee. All employees are confirmed as real people when preparing Transparency Reporting as each individual needs to be identified by building.</p> <p>Additionally, all direct deposit requests must be delivered to district office in person.</p>
The payroll clerk is the individual designated as the organization's contact with taxing authorities.	Risk of misappropriating funds is possible by manipulation of withholding payments. A secondary contact person has been identified; however, to date has not been trained. Also, the Business Manager has some knowledge in this area.	Both Business Manager and Payroll Clerk are familiar with the payroll tax process. Additionally, business manager regularly checks trial balances for remaining balances and errors.
The payroll clerk is the individual designated as the organization's contact with vendors to which amounts withheld from paychecks are sent. No additional contact person is identified in case issues are identified.	<p>Risk of misappropriating funds is possible by manipulation of withholding payments. A secondary contact person has been identified; however, to date has not been trained due to pandemic.</p> <p>2021-22 Update: Secondary person is not in place in 2022 fiscal year.</p>	Business Manager is secondary contact and is who complaints are directed to after initial contact with payroll clerk.
The district does not require mandatory vacations of employees in the personnel and payroll functions.	<p>As Payroll is considered a critical application, a cross-trained employee should perform this function whenever the Payroll Clerk is using required vacation or sick time. A back up person has been identified; however to date has not been trained due to pandemic. As things begin to return to some normalcy, this should be given priority.</p> <p>2021-22 Update: Secondary person is not in place in 2022 fiscal year.</p>	Finding is correct for 2022. However, Business Office staff have been cross trained in 2022-23.

E. Travel and Conferences-Overall Assessment-Minor Impact-Low Likelihood. The district as a whole benefits from requiring presentations by conference participants thus sharing information obtained at conferences.

Risk Condition Identified	Auditor Assessment	District Response
No exceptions noted.	Most training was done via Zoom this year. Participants are still required to share their knowledge.	

V. FACILITIES, EQUIPMENT AND INVENTORY CONTROLS

A. Facilities Maintenance-Overall Assessment-Moderate Impact-Medium Likelihood. An annual facilities inspection is performed by the District's insurance company. The Superintendent reports the board regularly. We recommend developing a 3-5 year plan for OCSD facilities.

Risk Condition Identified	Auditor Assessment	District Response
Long-range planning slowed due to current project delays.	The Superintendent is the Facilities Manager. The Business Manager now assists with some of the Buildings and Grounds responsibilities. Pandemic has made long range planning difficult to address.	District has hired a Safety and Systems Director using stimulus funding. This person has the task of coordinating buildings/ground/maintenance and custodial and will head long range capital planning efforts. Additionally district has hired previous architect to assist with long range planning and address current needs.

B. Facilities Construction-Overall Assessment-Significant Impact-Low Likelihood. The impact of a failure of facilities construction process would obviously have a long-range impact on the district. Major construction project ended.

Risk Condition Identified	Auditor Assessment	District Response
Construction delays.	Level II completion scheduled for September 2019 was not met. The new Superintendent took over the project. Cost overruns were experienced. Remaining items are identified and either planned or on hold. 2021-22 Update: Project is completed and final cost reports are submitted. Note: For awareness only.	

C. Inventory Controls-Overall Assessment-Moderate Impact-Low Likelihood. The failure of inventory controls may have a material impact for items that can be converted to personal use. The inventory system itself is monitored or reconciled infrequently to the accounting records. We recommend annually sampling assets for physical inspection.

Risk Condition Identified	Auditor Assessment	District Response
Although files are maintained, no reconciliation to detailed property and equipment records is performed in the interim.	Inventory such as technology is tracked by person. We recommend doing a random sampling of certain inventory items annually to confirm item to records.	Recommendation accepted. We have chosen a few items from each department/building annually to confirm that the items are still there. This has been tasked to our Accounts Receivable/Accounts Payable Clerk.
District has a policy that allows for disposal of district property which does not agree with current practice.	Policy states that employees cannot bid on assets. OCSD should update policy to agree with current practice. 2021-22 Update: Public Auction site (Auctions International) is used; however, employees are allowed to bid on items.	It is noted that excess items are sold on a public auction site. District would not have any way to favor an employee over a non-employee.

VI. STUDENT SERVICES

A. Student Transportation-Overall Assessment-Moderate Impact-Medium Likelihood. With high turnover of drivers, the possibility exists of errors. With the pandemic, this has been challenging. We believe from our discussions that management continues to monitor its concerns with the vendor's service level.

Risk Condition Identified	Auditor Assessment	District Response
The district relies on contracted vendor to monitor driver qualifications.	The district should monitor driver qualification and obtain an understanding of the procedures for hiring new bus drivers. Management continues to identify ways to strengthen communications with the vendor. Contract terms should include service level performance to ensure that the vendor has a vested interest in performing duties diligently.	The district meets several times throughout the year with representatives from Durham Student Services to discuss service and concerns. Improvement has been shown. Superintendent has discussed drivers, and recruitment practices with bus contractor.

B. Food Service-Overall Assessment-Moderate Impact-Low Likelihood. We recommend continuing to find ways to improve profitability. In addition, the internal controls review completed annually by Chartwells, should be provided to the Finance/Audit Committee.

Risk Condition Identified	Auditor Assessment	District Response
Contracted service involving multiple vendors while relying on Federal and State subsidies for their revenue. Errors can point to multiple sources. This year's program was subsidized 100% for students due to pandemic.	District contracts with DCMO BOCES to manage the food service management vendor. Management monitors this relationship and its food service financial information regularly.	District is satisfied with management from DCMO BOCES and is in frequent contact with them.
Chartwell contract annual internal control review	The results of this review should be provided to school management and the Finance/Audit Committee 2021-22 Update: Regular reports received are reviewed with the board, however these reports are not requested by management or the board.	District has requested and received reports from DCMO BOCES and Chartwells. This will be shared with the Finance/Audit Committee.

C. Extraclassroom Activity Fund-Overall Assessment-Minor Impact-Medium Likelihood. We recommend that once school returns to in-person that student clubs officers be given the appropriate training for controlling club finances and fund raising activities and learn how to prepare budget to actual reports.

Risk Condition Identified	Auditor Assessment	District Response
Due to pandemic, no ECA training was completed with officers and advisors as of the review date. School starting back to in-person in April 2021.	ECA clubs provide an opportunity for students to learn valuable life skills in finances. Students missed a valuable opportunity to learn these skills. 2021-22 Update: Regular reports are provided to the board from the Central Treasurer of Extracurricular Accounts appointed by the board.	Additional oversight is provided by Director of Curriculum and Instruction. For clubs that were approved to operate this year, required reporting was sent to Director of Curriculum and Instruction. Formal training has resumed in the 2021-2022 year.
Fundraising budgets are not routinely prepared.	2021-22 Update: Recommended reports are not always prepared by club treasurers.	Reporting requirements have been put in place by the Director of Curriculum and Instruction.

VII. STUDENT RELATED DATA

A. Attendance-Overall Assessment-Moderate Impact-Medium Likelihood. Errors in attendance have a direct impact on state aid. The District's revised procedures were closely monitored.

Risk Condition Identified	Auditor Assessment	District Response
Errors impact state aid. Changes due to pandemic had to be implemented.	Changes were made to accommodate newly implemented teaching changes. Process in place appears to be adequate. 2021-22 Update: Offsite attendance reporting occurred, requires additional reconciliation procedures to verify accuracy.	Administrative team regularly review attendance and reporting with IT department. A shared drive has been established.

B. Reliability of Student Performance Data-Overall Assessment-Moderate Impact-Low Likelihood. The District adheres to the procedures and guidelines outlined in the SIRS manual. The records are current and contain all the basic elements required by the State Education Department.

Risk Condition Identified	Auditor Assessment	District Response
The district can track individual student that remain in the state.	Students leaving the district to another state are not tracked. This would only be a concern if they return to NYS. Note: No issue to report.	

District Response submitted by,

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Business Manager

05/08/2023