

# Oneonta City School District

## 2022-23 Risk Assessment

April 28, 2023

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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**

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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**

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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.

<b>Impact</b>	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
		<b>Low</b>	<b>Medium</b>	<b>High</b>
<b>Likelihood</b>				

**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)	
<b>I. Governance and Planning</b>							
A. Governance & Control Environment			X		X		88%
B. Strategic Planning/Budgeting		X			X		86%
<b>II. Accounting and Reporting</b>							
A. Assessing Financial Condition			X	X			90%
B. Financial Accounting & Reporting			X	X			93%
C. Auditing			X	X			92%
D. State Aid & Grants			X	X			100
<b>III. Revenue and Cash Management</b>							
A. Cash Receipts & Revenue		X		X			90%
B. Cash Management & Investments	X			X			100
C. Petty Cash	X			X			n/a
<b>IV. Purchasing and Expenditures</b>							
A. Purchasing			X	X			92%
B. Accounts Payable		X		X			91%
C. Cash Disbursements			X		X		86%
D. Payroll & Personnel			X	X			90%
E. Travel & Conferences	X			X			100
<b>V. Facilities, Equipment and Inventory Controls</b>							
A. Facilities Maintenance		X			X		88%
B. Facilities Construction			X	X			90%
C. Inventory Controls		X			X		82%
<b>VI. Student Services</b>							
A. Student Transportation		X		X			93%
B. Food Service		X		X			100
C. Extra-Classroom Activity Fund	X					X	75%
<b>VII. Student Related Data</b>							
A. Attendance		X			X		89%
B. Reliability of Student Performance Data		X		X			93%

**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	District Response
<p>All required policies were available from the districts website; however, critical operating procedures or work steps are not complete.</p>	<p>Procedures for all major operational areas should be determined and completed.</p> <p>Major Operating cycles include, but are not limited to:</p> <ul style="list-style-type: none"> <li>a) Cash receipts</li> <li>b) Cash Disbursements</li> <li>c) Payroll</li> <li>d) Retirement Reporting</li> <li>e) Billing Procedures</li> </ul> <p>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.</p> <p>The progress of these procedures should be monitored and reported to the Audit Committee until completion.</p>	<p>District appreciates this recommendation. We have a long way to go, but continue to acknowledge the importance of procedure documentation. We are plugging away at this. Most of the business office staff is new to the position and new, more efficient procedures are being developed.</p> <p>A Business Office shared google drive has been established to house the procedures as we get them developed. This will be a living document.</p> <p>Each business office employee's evaluation includes this as a goal.</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.</p>	<p>Certain policies require annual periodic review, update and approval. Although noted in board minutes, online documents are not updated to reflect the board approval.</p>	<p>Moving forward Erie 1 will be providing us with the required policies for board approval. Once approved, proficient placement will be implemented on our school board management system BoardDocs.</p>

Risk Condition Identified	Assessment	District Response
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.	Most 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.	Cross training has been implemented. Two other business office employees can run payroll and are involved in payroll processes on a regular basis. Accounts receivable/payable has two business office personnel who can perform these functions. Newly appointed Treasurer and Business Manager both have the ability to perform the duties of Treasurer.
The adoption of a written policy occurs 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.	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" can be waived.	We have consulted with our school attorneys for clarification and guidance in this matter, as we may have received some conflicting guidance as it relates to this practice.
The Superintendent is given the continuing commission of calling to the Board's attention all policies that are out-of-date and/or 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 OCSD can be located at: <a href="https://www.nyssba.org/policy-services/list-of-legally-required-policies/">https://www.nyssba.org/policy-services/list-of-legally-required-policies/</a>	District has contracted with Erie I BOCES to provide this policy service.
The district has a system in place to receive and address anonymous complaints related to fraud, waste, or abuse of districts resources; however, Complaint officer identified are unclear and procedures for handling complaints, including escalation procedures have not been developed.	The district has appointed two Complaint Officers, Thomas Molle and Abigail Losie. The Superintendent is a retired police officer. An anonymous tip line is on the school's home page and visible.  The school's website shows Fraud Reporting going to Reggie McGuinness. A test went to Reggie. No documented procedures or escalation procedures exist. Complaint reporting should be documented as well as all follow-up action.	District adopted a "Chain of Command" for complaints and communication in October 2023. This document will be shared with personnel, parents and community by November 2023.

**Overall Assessment: Significant Impact-Medium 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	District Response
<p>The district has a current written strategic plan that includes a mission and vision statement, goals and objectives, performance measures, and strategies to accomplish the goals and objectives. The strategic plan should be considered in developing the district's financial plans and budgets.</p>	<p>The mission statement, goals, and philosophy are included on school website.</p> <p>Currently, the district is developing a Capital Improvement Plan by completing a Building Condition Survey. The Architect has been approved and Fiscal Advisors are on board to plan forward. No written strategic plan exists.</p> <p>\$5 million is included in 23-24 budget for capital reserve. The budget is planned for approval in June.</p>	<p>Building Condition Survey has been completed. Priorities have been discussed and identified. Board of Education approved the proposition for a Capital Project to be presented to our voters in December 2023.</p>
<p>The district should have a long-term financial plan (budget) for both capital projects and operating expenses. Long-term is defined as three to five years.</p>	<p>Financial and operating plans are discussed monthly with the Board of Education. The Finance/ Audit Committee is active in financial decision-making and review of financial conditions.</p> <p>We recommend developing a three-to-five-year plan.</p>	<p>District acknowledges the need for better documentation of a 3 year financial plan. Capital Plan for 3 years has been discussed, identified and will be presented to voters in December 2023.</p>
<p>The district should have a formal budgeting policy dealing with such items as budgetary objectives, budget development and preparation procedures, budget administration, and budget transfers.</p>	<p>OCSD follows a Budget Calendar that begins in July. The process starts by meeting with all Administrators and Special Ed.</p> <p>We recommend formalizing budgeting policy dealing with such items as budgetary objectives, budget development and preparation procedures, budget administration, and budget transfers.</p>	<p>Google drive has been established for the Administrative Team to share budgetary information, outline dates and procedures. District has a formal procedure in place for budget transfers. All posted transfers include appropriate documentation.</p>
<p>The district should have written budgetary objectives to address areas such as funding priorities, maintenance of reserves and fund balance, incurrence of short and long-term debt, and replacement of fixed assets.</p>	<p>OCSD starts with recommendations from each area, review of contracts, economy, and Finance Committee discussion.</p> <p>We recommend formalizing the budgetary objectives to address areas such as funding priorities, maintenance of reserves and fund balance, incurrence of short and long-term debt, and replacement of fixed assets.</p>	<p>Although there is ALWAYS room for improvement, district regularly reviews reserves and post an update on our website each April/May. Long term debt is discussed and managed with the assistance of Fiscal Advisors. Representatives from Fiscal Advisors attend our Finance Committee meetings, meet with our architect and do presentations to our BOE.</p>

**Overall Assessment: Moderate Impact-Medium Likelihood**

Budget transfers are approved by the Board and policy is consistent with State laws. The recommendations listed above would allow the district to improve strategic planning beyond the coming year. 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	District Response
Unassigned fund balance is above the limit of 4% of next year’s general fund budget.	Management is aware of the limit and plan to utilize funds in upcoming capital projects.  <b>Note:</b> Reported for awareness only. Many School Districts are in excess of the 4% limit.	District has reduced unappropriated fund balance, which is very close to 4%. Plan has been submitted via ST-3 as edit exceptions required reporting and identification of fund balance changes.

**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 2020.

**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	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"> <li>• Custody of assets</li> <li>• Authorization or approval of transactions affecting those assets</li> <li>• Recording or reporting of related transactions.</li> </ul> <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 may not identify 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><b>Note:</b> This item is reported only as a reminder of the importance of monitoring controls.</p>	<p>Most Business Office employees are either new or new to their position. While difficult to have an office full of new employees, this has afforded us the opportunity for cross training. At least two people in the office are familiar with and can perform most business office functions.</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><b>Note:</b> Reported for awareness only.</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	District Response
The board's Finance/Audit Committee is responsible to track and clear exception items	<p>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.</p> <p>Where risk is accepted, we recommend periodically revisiting to see if mitigating controls can eventually be identified.</p> <p>Automated controls are the strongest; manual controls are most prone to fail.</p> <p><b>Note:</b> Reported for awareness only.</p>	

**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 OCSA Complaint Officer.

**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	District Response
No exceptions noted.		

**Overall Assessment: Significant Impact-Low 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	District Response
District policy states that all checks be restrictively endorsed when received.	Timely restrictive endorsements are essential preventing possible fraudulent deposit activity. All areas receiving payments should have a restrictive endorsement stamp.	District has recently acquired remote deposit equipment/software. Deposits are generally handled by at least two office personnel. Business Manager does bank reconciliation adding a third layer. District is also actively utilizing receivables software as much as possible for documentation of anticipated receipts.
The Treasurer should audit the triplicate receipt books periodically and maintain control over the inventory of receipt books.	Treasurer position is open.	Treasurer was appointed in June 2023. Currently, most receipts are electronic or in the software. We are moving away from manual, triplicate receipts.
Checks are turned over to the business office for deposit and someone independent of the record-keeping function should verify the funds were, in fact, deposited into the bank. Generally, the person who makes the initial cash receipt list should be the person who checks their list to actual deposits.	Previously, the Treasurer reconciled the AR to the deposits every 2-3 days. This position is now vacant.	District has recently acquired remote deposit equipment/software. Deposits are generally handled by at least two office personnel. Business Manager does bank reconciliation adding a third layer. District is also actively utilizing receivables software as much as possible for documentation of anticipated receipts.
Someone independent of the business office should periodically verify the reasonableness and completeness of all deposits.	Treasurer position is open.	Not really sure how to address this outside of the Business Office. Superintendent reviews and signs all bank reconciliations.
The bank account reconciler compares, on a test basis, the date, payee, and amount on cancelled checks with cash disbursements book/warrant entries.	Done when there is an exception that needs to be investigated. As it is possible to review accounts online, this is done but not documented.	Business Manager and Treasurer both receive all notifications from the bank. Both positions review cash on a regular basis.

There should be adequate separation of duties for bank reconciliations, access to cash, and record keeping.	Previously, the Treasurer reviewed the prepared reconciliation, and had access to the accounting records. Treasurer position is open.	See various responses above.
The district should have procedures in place to ensure it receives the revenue it is entitled to.	The BO Manager monitors the state aid via the state website.  Retiree payments are not checked for past due accounts.	New Treasurer is also assigned to the position of Retiree Benefit Clerk. All retirees have been added to the accounts receivable software and are invoiced and tracked there. Treasurer sends statements to retirees and others who have outstanding balances.

**Overall Assessment: Moderate Impact-Medium Likelihood**

Employees handling 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. Retiree accounts should be reviewed for timeliness. Treasurer position should be filled as soon as possible.

**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	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 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.  <b>Note:</b> Reported for awareness only.	

**Overall Assessment: Minor Impact-Low Likelihood**

The required comprehensive investment policy is in place and investing procedures are documented. As interest rates rise, re-examine for best returns.

**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	District Response
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	District Response
The district's purchasing policy addresses bidding requirements and procedures to follow when competitive bidding is not required,	The school has 3 credit cards issued to specific positions where deemed useful. Store accounts include retail accounts with Walmart, Amazon, Lowe's, and Home Depot.  These add additional risk to this area.  <b>Note:</b> Reported for awareness only.	
The district does not require 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 annual internal control review. Review posted in 2022.  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.	District has right of audit to Durham School Services.

Risk Condition Identified	Assessment	District Response
The district should add how vendors can report fraud, waste, and abuse to all purchase orders. All complaints should follow an escalation process until cleared. The School Board should be involved with this process.	<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.</p> <p>The Claims Auditor is relied upon to address fraud risk.</p> <p>Written procedures with escalation process should be developed. The Complaint Officer should prepare a report to the board.</p>	District will work with Claims Auditor to develop a procedure by June 30, 2023.

**Overall Assessment: Significant Impact-Low 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. We recommend all contracts include a right-of-audit clause. Any reported issues should be summarized and presented to the board.

**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	District Response
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>The invoice is more likely to be paid twice if it is not perforated or stamped; however, check stubs are attached.</p> <p><b>Note:</b> For awareness only.</p>	
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.	District requires receipts for all purchases made by credit card. Receipt must be signed by purchaser and supervisor.
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.	Claims auditor has procedures and is currently cross training a backup claims auditor.

**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	District Response
A deputy treasurer should be appointed to sign checks when the treasurer is unable to perform that duty.	Position is open.	Treasurer and Deputy Treasurer have been appointed.
All checks should be directly mailed by the signer. Signed checks should not be returned to the employee who drew them or the accounts payable clerk. Someone independent of these functions should mail the checks.	Vendors set up by Accounts Payable (A/P) Clerk. Checks requests are inputted and mailed by AP Clerk. All vendor changes are reviewed and signed off monthly by Business Mgr or Superintendent.	District feels that current practices of review for all payment made is sufficient. AP Clerk inputs, Treasurer generates checks. Business Manager reviews all warrants.
Electronic signatures are more likely to be abused.	Electronic signatures are strictly controlled by the check signors.  <b>Note:</b> For awareness only	

**Overall Assessment: Significant Impact-Medium 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. Treasurer and Deputy Treasurer positions are open.



**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	District Response
<p>The district should have written procedures detailing the time and attendance and payroll processes.</p>	<p>Payroll Clerk passed in 2022. The new person assigned was unaware of any documented procedures or task list in performing function.</p> <p>Discussed with new Payroll Clerk, Director of Technology and Business Office Manager the need to do an audit to verify where to look for proper documentation. These procedures should be documented.</p>	<p>District is currently working through procedures. Updates to be documented in the 2023-2024 year.</p>
<p>The district should routinely perform a payroll audit including payouts or floor checks and a review of payroll or personnel files to compare contracts/salary notices/board appointments to actual payrolls, and to ensure that amounts withheld from employees' pay go to the intended places.</p>	<p>Physical checks, approximately 9-10 items per payroll, generally are for temporary employees such as substitutes. Most payroll checks are directly deposited to employee accounts. It was reported previously that the Building Secretary will perform person-to-person payroll check delivery and sign off twice per year. A periodic person-to-person payroll check delivery and sign off is not performed. We recommend reimplementing this procedure.</p>	<p>As noted, most paychecks are direct deposit. District strongly encourages direct deposit. District does not accept payroll paperwork or changes in direct deposit, other than in person.</p>
<p>The district should have written procedures describing the employment process (advertising/posting, interview, reference/credential check, offer, acceptance, starting date, etc.).</p>	<p>An employment checklist is used for new employees to request all documentation needed at hire. Procedures are not complete.</p>	<p>Some of this is contract based as such associated language is contained in those Collective bargaining agreements. In addition, our district google drive contains a folder and files with the descriptions of the employment process.</p>
<p>There should be an 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.</p> <p>There is no employee handbook. 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 only, none for full-time employees.</p>	<p>The district does possess an employee handbook which is located in our shared drive.</p>

<p>Unclaimed paychecks and returned W-2s should be returned to the 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. Outstanding checks should be monitored.</p> <p>Periodically confirming the existence of all employees receiving checks would help mitigate this risk.</p>	<p>As noted, most paychecks are direct deposit. District strongly encourages direct deposit. District does not accept payroll paperwork or changes in direct deposit, other than in person.</p>
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Risk Condition Identified	Assessment	District Response
The payroll clerk should be the individual designated as the organization's contact with taxing authorities.	The risk of misappropriating funds is possible by manipulation of withholding payments. A secondary contact person familiar with the payroll tax process should be identified. The Business Manager has some knowledge in this area.	Business Manager has full knowledge and handles any and all inquiries by taxing agencies regarding submissions by payroll clerk.
Someone outside the payroll function is the organization's contact with vendors to which amounts withheld from paychecks are sent.	The payroll clerk is the individual designated as the organization's contact with vendors to which amounts withheld from paychecks are sent. An additional contact person should be identified.	Business Manager has login's and regularly reviews and manages payments to vendors. Treasurer is being trained also to review these payroll related liabilities.
The district does not require mandatory vacations of employees in the personnel and payroll functions.	As Payroll is considered a critical application, a cross-trained employee should perform this function whenever the Payroll Clerk is using time off.	<p>Cross training has been implemented. Two other business office employees can run payroll and are involved in payroll processes on a regular basis.</p> <p>Accounts receivable/payable has two business office personnel who can perform these functions.</p> <p>Newly appointed Treasurer and Business Manager both have the ability to perform the duties of Treasurer.</p>

**Overall Assessment: Significant Impact - Low 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 hired in 2018 has experience in Payroll and eventually will be trained as back up, but due to the pandemic this has been delayed. 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. The Business Office Manager, Department Employees and Department Managers should review a list of employees to verify that the employee is a real person. This would provide 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	District Response
No exceptions noted.	Participants receiving training are still required to share their knowledge.	

**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	District Response
The district should have a long-range plan for educational facilities and equipment replacement purchases.	A long-range plan is being developed with a Building Condition Survey being conducted and the hiring of an Architect and a Project Manager.  <b>Note:</b> For awareness only	

**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 OCSD 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	District Response
The district's voters should approved the construction of new facilities in the district.	Budget and surplus funds planned for 23-24 construction. Currently up for vote. The first public hearing was held. A second one is planned.  <b>Note:</b> For awareness only.	

**Overall Assessment: Significant Impact-Low Likelihood**

The impact of a failure of facilities construction process would obviously have a significant impact on the district's long range plan.

**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	District Response
Although files are maintained, no reconciliation to detailed property and equipment records is performed in the interim.	Inventories such as technology is tracked by person. We recommend doing a random sampling of certain inventory items annually to confirm the item to records.	This process is done. An on-site physical inventory by CBIZ is scheduled for November 2023.
Policies and procedures in place should ensure that changes in assets, such as location, disposition, etc., are reflected in the inventory system.	Attempt: however, items are moved without notification.  We recommend the need for notice of asset location changes be communicated throughout the year or whenever known activity is taking place.	Noted.
District should have a policy that allows for disposal of district property.	Policy D2 updated 9/18 states that: Items shall be offered for sale to the general public, except that no Board member, Officer or School District Employee, or anyone in the immediate family of the above-listed persons, shall be eligible to purchase the equipment, supplies or materials. OCSD should update and approve policy to agree with current practice.	District has updated policy. Items for sale are listed on Auctions International. District has no way to control or know who is bidding on an item. District does not sell directly to employees or anyone wishing to purchase an item.

**Overall Assessment: Moderate Impact-Medium 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	District Response
The district should monitor driver (district and contract) qualifications and inspection of buses and maintain documentation of the same.	The district relies on contracted vendor, Durham, to monitor driver qualifications.  Drivers are supplied by Durham. The District is concerned with high turn-over of drivers.  The Head of Transportation works closely with Durham Terminal Manager, on site. Issues are addressed immediately.  <b>Note:</b> For awareness only.	

**Overall Assessment: Moderate Impact-Medium Likelihood**

With 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	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 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.  <b>Note:</b> For awareness only.	

**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, was provided to the Finance/Audit Committee in 2022.

**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/mgtserv/extrclas\\_old.pdf](http://www.emsc.nysed.gov/mgtserv/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	District Response
The board should have policies and procedures for the operation of the extra- classroom activity fund that conform to the requirements of the Commissioner’s Regulations.	Extra-classroom Policy D6 states: The building principals, with approval of the Superintendent of Schools, shall set up procedures for receipt and payment from the extra-classroom activities fund in their respective buildings.  Procedures should be developed and approved by the Central Treasurer of EC.	District has purchased addition safe for holding of funds outside of school or banking hours. Backup Extracurricular Treasurer has been appointed. Assistant Superintendent of Curriculum has been tasked with overseeing Extracurricular Activity Funds.

Risk Condition Identified	Assessment	District Response
<p>The board should have a central treasurer for the extra-classroom activity fund. Added: <i>And training should be provided to club officers annually.</i></p>	<p>John Chamard (retired teacher) is appointed annually as Central Treasurer of Extra Curricular Accounts. He provided required training at the beginning of the school year to club advisors.</p> <p>Policy D6 states: All advisors and student treasurers will meet annually at the start of the school year with the Activity Funds Treasurer to review all extra-classroom activities funds procedures. This is not documented and provided to the Central Treasurer of EC.</p> <p>ECA clubs provide an opportunity for students to learn valuable life skills in finance. This year's seniors missed a valuable opportunity to learn these skills.</p>	<p>District has a Treasurer and a backup Treasurer. All clubs advisors are provided/required to attend training each year.</p>
<p>The district should have adequate controls over the receipt of monies using pre-numbered tickets for admission to events and pre-numbered receipt forms (see the Cash Receipts section of this document) and requires the reconciliation of actual and expected receipts from fundraisers.</p>	<p>Faculty advisors monitor the collection of cash; however, the sales documentation is not usually reviewed by the Central Treasurer of EC. Reports go to advisors quarterly.</p> <p>Policy D.4 states: Not more than \$250, whether District or extra-classroom funds, shall be held in the main office of each District school building. Under no circumstances shall cash be left in classroom areas or desks. This information is now conveyed at annual training.</p> <p><b>Note:</b> For awareness only.</p>	

**Overall Assessment: Minor Impact-High Likelihood**

We recommend that student club officers be given the appropriate training for controlling club finances and fundraising activities and learn how to prepare budget and do budget to actual reporting.

**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	District Response
The district should have a comprehensive attendance policy and procedures for taking attendance.	Some additional reconciliation review was required due to pandemic and at home learning. See if procedures can be added to address this issue, if needed in the future.	District has developed a comprehensive attendance policy.
Adequate controls over the input and access to data related to attendance have been implemented.	Additional controls are needed to ensure data accuracy during offsite teaching.	Onsite teaching is not taking place in our district.

**Overall Assessment: Moderate Impact-Medium Likelihood**

Errors in attendance have a direct impact in state aid. An additional review was needed to verify accuracy. Implement additional automated controls to ensure continued accuracy without manual intervention.

**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	District Response
Written policies and procedures should have adequate instructions and definitions developed to ensure the required tasks are performed for reporting correct information for dropouts, test scores, enrollment, and cohorts.	Policy B 25 COMPREHENSIVE ATTENDANCE POLICY addresses the school's policy. Procedures should be documented.	District has two attendance officers. Procedures have been documented and communicated with staff and parents.

<b>Risk Condition Identified</b>	<b>Assessment</b>	<b>District Response</b>
The district should track individual students 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.  <b>Note:</b> No issue to report.	

**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.