



**QUESTAR III**  
PUTTING STUDENTS FIRST

Scotia-Glenville Central School District:  
FY 2021/22 Annual Risk Assessment

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## DISTRIBUTION OF THE REPORT

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

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

Sincerely,

*Mark Beaudette*

Mark Beaudette  
Internal Audit Manager  
Questar III BOCES

**Inherent Risk Areas**

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

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

**Assessment of Risk**

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

Functional Area	Audit Date	Risk Classification		Comments
		Prior Year	Current Year	
Cash – Business Office		Low	Low	Minimal cash handled
Cash – Lunch Program		Moderate	Low/Moderate	Minimal cash being handled. District had a surplus in lunch program ending June 30, 2021
Cash – Extraclassroom		Low/Moderate	Low/Moderate	
Cash – Petty Cash		Low	N/A	District does not use petty cash
State Aid		Moderate	Moderate	
Banking		Low/Moderate	Low/Moderate	
Accounts Receivable – General		Low	Low	
Accounts Receivable – Medicaid	FY 2014/15; 2017/18; 2018/19	Low/Moderate	Low/Moderate	
Accounts Receivable – Special Education	FY 2011/12; 2020/21	Low/Moderate	Low/Moderate	
Accounts Receivable – Federal		Low	Low/Moderate	District applied to receive several Federal COVID grant funds
Accounts Payable		Moderate	Moderate	
Payroll	FY 2010/11; 2012/13; 2014/15; 2015/16; 2020/21	Moderate	Moderate	
Purchasing		Low	Low	
Fixed Assets Accountability		Low/Moderate	Low/Moderate	
Inventory – Fuel	FY 2009/10	Low	Low	
Inventory – Transportation Parts & Supplies	FY 2013/14; 2015/16; 2018/19; 2019/20	Moderate	Low/Moderate	Parts and supplies are housed at BHBL, district conducts physical inventories and documents inventory on hand
Inventory – Lunch Program		Low	Low	
Inventory – Operations & Maintenance		Low/Moderate	Low/Moderate	
Inventory – Extraclassroom		Moderate	Moderate	
Use of Facilities	FY 2016/17	Low	Low	
Employee Benefits (include retirees)		Low	Low	
Employee Expense Reimbursements		Low	Low	
Information Systems		Moderate	Moderate	
Human Resources		Low/Moderate	Low/Moderate	
Capital Projects		Low/Moderate	Low/Moderate	
Budgeting		Low	Low	
Claims Auditing		Low	Low	

FINANCIAL AREA IMPACTED	DESCRIPTION OF CONDITION	RECOMMENDED SOLUTION
	<p>District Response: The middle school extra classroom clubs have not conducted any fundraising to date. The student council is the only club that does fundraising and are aware that a completed fundraising request form is required prior to conducting a fundraiser.</p>	
	<p>The middle school Faculty Auditor performs bank reconciliations on a monthly basis. However, the faculty auditor has not been assigned to review ledgers, examine various cash receipts, and examine various disbursements to determine that proper procedures are being used by the District. The District has not implemented best practices for reviewing extraclassroom activities.</p>	<p>The Faculty Auditor should select a sample of both cash receipts and disbursements when auditing extraclassroom activities. He/she should review the documents and ensure that proper procedures are being followed. Additional guidance regarding the responsibilities of the Faculty Auditor can be found in "The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds".</p>
	<p><b>Updated January 2022: The middle school faculty auditor is reviewing the clubs' cash receipts and disbursement documentation; however, they are not reviewing the clubs' ledgers to ensure they are being completed.</b></p>	
	<p>High School clubs are not submitting activity budgets at the beginning of the school year. This statement should be completed by the students of each club, when applicable, with the assistance of the faculty advisor.</p>	<p>The District should ensure the clubs are completing the necessary statements when applicable. The District should also assign an employee to review the clubs books periodically throughout the year to ensure the clubs are keeping proper documentation.</p>
	<p><b>Updated January 2022: There were some clubs at the high school that submitted their budgets for fiscal year 21.22; however, some clubs did not.</b></p>	
<p><b>Human Resources</b></p>	<p>The District's process for receiving fingerprint clearance does not assure all clearances will be received by the employee's start date. This comment was identified in a prior risk assessment and remains an issue.</p>	<p>The District should ensure that all employees have received fingerprint clearance prior to employee's first day on the job. According to School Law, section 41, Prospective Employees: The fingerprinting requirements also apply to prospective school employees appointed by the school board on or after July 1, 2001, who are reasonably expected by a covered school to provide services involving direct, in person, face-to-face communication or interaction with students under the age of 21 for more than five days per school year.</p>
	<p><b>Updated January 2022: There are still occasional occurrences where an employee can begin employment before getting their fingerprint clearance. We noted in these instances the employees must be approved to begin employment before their fingerprint is cleared by the Superintendent.</b></p>	

**Issues Identified in the Current Year**

We noted the following issues within functional areas that could use improvement to their internal controls. The comments and recommendations provide a tool for management to assist in developing or maintaining a risk management system that mitigates risk to an acceptable level as determined by the Board of Education. The issues were identified from the **FY 2021/22** risk assessment and are summarized in the table below along with our recommendations:

<b>FINANCIAL AREA IMPACTED</b>	<b>DESCRIPTION OF CONDITION</b>	<b>RECOMMENDED SOLUTION</b>
<b>Financial Reporting</b>	At the time of the risk assessment the District did not have posted on their website the most recent financial statements ending June 30, 2021.	The District should post to it's website immediately the most recent financial statements. Section 2116-a of the New York Education Law requires that each school district posts in a timely fashion the annual external audit report and the corrective action plan prepared in response to any findings contained in the external audit report or management letter.
	<b>District Response: The most recent financial statements have been posted to the district website as of 2/18/22. An electronic reminder has been added to the calendar of business office staff.</b>	
<b>Payroll</b>	The individual who is cross trained on the payroll process has not completed a payroll in a number of years.	The District should require the backup employee to process a payroll at least annually in the Payroll Clerk's absence. A second person with knowledge of the processes would allow for the ability to verify certain calculations and reduce the risk of an absence related stop in the process.

	<p>During our testing of cash disbursements, it was noted that one disbursement tested had a hand-written purchase order and no requisition.</p>	<p>Updated October 2008: All purchase orders are required to be processed electronically and approved by the business manager. Invoices shall not be paid without an approved purchase order. All exceptions will be reviewed on an individual basis and documented to explain the reason for the deviation from policy.</p>
	<p>There are segregation of duties issues with respect to cash, payables and other financial processes. The accounts payable clerk is performing incompatible duties. Such as: preparer of checks; mails checks and receives the bank statements and can also make changes to the vendor master file. Also, the Treasurer maintains General Ledger and Cash Receipts subsidiary account, as well as reconciles tax collections.</p>	<p>Updated May 2010: The business office has implemented a check scanning device whereby each check is scanned by the treasurer that goes directly to the bank.</p> <p>The accounts payable clerk still makes modifications or additions to the vendor file; however, these changes are reviewed by the business manager.</p>
	<p>It was noted that aged outstanding checks are not handled according to NYS regulations. Checks that are aged may be voided and reversed to the general fund.</p>	<p>Updated June 2012: The District makes attempts to contact the individual for unclaimed payroll checks. If unsuccessful, the business office forwards the funds to the NYS Comptroller's Unclaimed Funds Division.</p>
Cash Receipts	<p>We noted that buildings retain copies of personal checks to support cash receipts. Staff may not always be safeguarding this information by not restricting access to these copies. Internal audit expressed the concern of protecting sensitive information printed on the copied checks (routing numbers, account numbers, names, addresses, phone numbers).</p>	<p>Updated January 2020: We noted staff at the buildings are properly safeguarding the personal checks by keeping them in a secure area.</p>
Petty Cash	<p>The petty cash funds are not returned to the Business Office and deposited at year-end.</p>	<p>Updated June 2016: The Middle School and Lincoln Elementary school no longer have a petty cash fund. The business office requests the petty cash fund custodians to annually reconcile should funds be needed over the summer months otherwise return the fund at fiscal year-end.</p>
Accounts Payable	<p>The accounts payable clerk performs incompatible duties whereby she adds and makes changes to the vendor master file without a compensating control when the segregation of duties is not optimal.</p>	<p>Updated June 2012: The business manager reviews a bi-weekly change report from the accounts payable module to ensure the changes appear to be reasonable and within the normal course of processing accounts payable.</p>

		<p>Office with the sign-off sheet;</p> <ul style="list-style-type: none"> <li>• There is a list of all paychecks that are mailed kept on file (i.e.: substitute teachers, coaches, rotating teachers, etc.); and</li> <li>• The claims auditor performs testing on 20 employees per month. The claims auditor traces back the employee file and verify copy of driver's license, social security card, fingerprint clearance, etc.</li> </ul>
	<p>The payroll clerk was hired last year. The individual is new at performing the payroll function for districts which presents a risk due to the complex and manual process involved with the payroll function.</p>	<p>Updated June 2011: An internal audit was completed during the year, which included a formal report with recommendations for corrective action. No significant observations were noted during the audit.</p>
	<p>The District might prepay teacher salaries during the first week of school. According to the Payroll Clerk, teachers are paid a ½ pay check on September 1st and another ½ a paycheck on September 8th. (conference day). Classes do not begin until September 5th after Memorial Day weekend. Teachers will then receive a full pay check on September 22nd. The prepayment of expenses is prohibited by NYS Municipal Law.</p>	<p>Updated June 2018: The District has considered revising the practice of prepayment but cannot modify the bargaining agreement. This has always been a past practice and the District does not wish to make these changes going forward.</p>
<p>Affordable Care Act</p>	<p>New regulations under the Patient Protection and Affordable Care Act (PPACA) require employers, including school districts, to provide coverage to employees working an average of 30 or more hours a week or 130 or more hours a month. This includes substitute teachers or other substitutes in classified positions such as food service or transportation.</p> <p>Set to go into effect January 1, 2015, the regulations commonly known as "Obamacare" have districts looking for an effective way to track part-time employee hours, particularly for substitute teachers, and determine eligibility for insurance benefits. Currently, Finance Manager does not offer the capability to track individual's daily hours worked.</p>	<p>Updated June 2016: The District contracted with Amsure (3<sup>rd</sup> party healthcare administrator) to assist and provide reasonable assurance that the District will be in compliance with the ACA measurement and reporting requirements. Additionally, the District established a position where an individual will be responsible for complying with ACA requirements.</p>
<p>Medicaid</p>	<p>The District does not provide "Under Direction Of" (UDO) or "Under Supervision Of" (USO) for providers that are not licensed for Medicaid reimbursement. Therefore, those</p>	<p>Updated June 2016: The PPS Director cited that high caseloads does not allow the time necessary for the level of supervision to meet SSHSP requirements. Also, some special education services are provided in</p>



	<p>The District has hired a new vendor by the name of nrastructure to provide some of the services that were once provided by Capital Region BOCES Northeastern Regional Information Center (NERIC). Additionally, we noted that the District is still currently undergoing the earlier stages of this transition. The introduction of a new vendor initially exposes the District to potential risk due to the nature of the transition.</p>	<p>Updated January 2019: After we interviewed staff and evaluated information technology processes, nrastructure has been able to adapt to the District's Information Technology needs.</p>
	<p>We noted the following issues during the interview process with the IT staff who are aware of and indicated that they are currently working to correct:</p> <ol style="list-style-type: none"> <li>1. The IT department does not have good account management for user accounts. No profiles have been established based job responsibilities and the IT department does not know exactly what different access rights have been assigned to each individual.</li> <li>2. The District does not have a formal acceptable user agreement for students and staff.</li> <li>3. The District does not use a guest internet access connection, as applicable.</li> </ol>	<p>Updated January 2019: We noted that the IT department has established good account management for users of the Districts network.</p> <p>We also noted that the District is in the process of implementing a formal acceptable user agreement for both students and staff. In addition, the District has created an AUP form and instructs staff to sign at the time of hire.</p> <p>The District has also implemented a guest internet access connection where users are instructed to accept the terms and conditions prior to obtaining access.</p>
	<p>The District has not developed a formal plan where staff would know and understand their responsibility to safeguard private information. In addition, the District has not developed a plan to respond if sensitive data becomes compromised.</p>	<p>Updated January 2019: The District implemented a Technology Set Up Guide for Administrators, Teachers, and Teaching Assistants. The Technology Set Up Guide provides general information regarding network accounts, email accounts, password protection, protecting student personal identifiable information, and instructions on how to use PowerSchool. The technology department strongly encourages staff and students to be responsible users and to protect personal identifiable information.</p>

	<p>asset inventory and detailed fixed asset records are not reviewed periodically by an appropriate person.</p>	<p>process of completing an informal physical inventory. The purpose of the inventory was to identify assets that are reported but no longer exist or assets that have been moved from their latest reported location.</p> <p>The District has hired Questar III to perform a physical inventory in November 2008. In addition, the district has plans to implement an inventory verification process, whereby, each department will be provided a list of assigned items and they are required to verify and sign the listing accepting that the items exist as indicated. This is intended to be done at the school year end and beginning.</p> <p>The District has implemented the inventory verification process and provided subsequent findings in a formal report to the Board of Education.</p>
	<p>The District does not have a procedure in place to track BOCES owned equipment.</p>	<p>Updated May 2010: The District accounts for and tracks BOCES owned equipment in AssetMax. The items are distinguished from district property by using BOCES asset tag numbers.</p>
<p>Fuel Inventory</p>	<p>Controls over the gasoline and diesel fuel are weak. The school does not have a process in place that requires tracking, reporting and reconciling fuel usage on a regular basis. Access to the pump key is not secured and mileage input into the pump is not required. Also, access to fuel pumps is not monitored by surveillance cameras.</p>	<p>Updated May 2010: An internal audit was performed during fiscal year 2009/10. A report with management response has been submitted to the Audit Committee.</p> <p>The transportation department reviews daily vehicle usage reports for irregularities. In addition, monthly reports are provided to the business manager for review.</p> <p>The District is considering purchasing an upgrade to the electronic fuel system. The transportation department has performed some research on fuel programs along with the cost impact to the district.</p>
<p>Tools, Equipment, and Supplies Inventory</p>	<p>The transportation and buildings &amp; grounds departments maintain inventories that don't meet the criteria under Board Policy 6640 to record inventory items but are desirable for personal use. Consequently, some of these district assets are not formally accounted for.</p>	<p>Updated June 2011: Most of the Transportation and Buildings &amp; Grounds department tools and equipment are tracked and accounted for under the fixed asset program.</p> <p>The transportation department accounts for vehicle repair parts using the Transfinder program. The head mechanic records what repair parts are required for each repair. In addition, the supervisor performs periodic parts &amp; tools inventories during the year.</p> <p>The buildings &amp; grounds department</p>

	<p>account is used to fund school activities and help students if they need financial assistance to participate in school events. The money is accounted for and controlled by the central treasurer. Although good accountability and safeguarding of the funds are kept, the account is not technically an ECAF.</p> <p>Internal Audit identified this in a prior year risk assessment report. The District subsequently cleared the issue in June 2017. However, this has become a similar issue in FY1819.</p>	
	<p>It was noted that the Middle School extraclassroom clubs do not use inventory control logs or statements of profit and loss for goods purchased for fundraising events.</p>	<p>Updated January 2021: Middle school clubs are now utilizing both profit and loss statements and inventory control logs consistently when applicable.</p>
	<p>We noted there are numerous stale checks that were issued from the middle school Extraclassroom clubs. The Extraclassroom Auditor noted some of these checks date years back.</p>	<p><b>Updated January 2022: The District has addressed most of the stale checks and has issued a stop payment on the checks and re-issued as necessary.</b></p>
<p>Use of Facilities</p>	<p>The District schedules and accounts for use of facility request information on a paper calendar.</p>	<p>Updated June 2014: The District implemented School Dude to schedule and account for facility usage by outside organizations.</p>
<p>Transportation</p>	<p>The transportation director reported that the transportation staff take scrap metal to TA Predel &amp; Son, receive cash for the scrap metal, then use the funds for various department purposes, which appears to have been a long-standing practice. The money was not returned to the business office to be appropriately accounted for and deposited into the district's general fund. As a result, the district immediately performed the following corrective actions:</p> <ul style="list-style-type: none"> <li>• The transportation director provided an envelope that included two Predel receipts, cash, and goods purchase receipts to the business office. The district treasurer and internal audit each performed a reconciliation of cash on hand and receipts and found that \$15.35 was unaccounted for.</li> <li>• The business manager immediately issued a letter to appropriate staff notifying them that all scrap sales are</li> </ul>	<p>Updated June 2014: A formal procedure was implemented for the sale of scrap metal to Predel that is being followed by the transportation and operations &amp; maintenance departments. In addition, after each delivery Predel issues a check made payable to the District which is sent directly to the business office.</p>

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