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Scotia-Glenville Central School District:  
FY 2022/23 Annual Risk Assessment

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May 10, 2023

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

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

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

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

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

#### RELIABILITY OF INFORMATION

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

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

## DISTRIBUTION OF THE REPORT

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

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

Sincerely,

*Mark Beaudette*

Mark Beaudette  
Internal Audit Manager  
Questar III BOCES

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**Inherent Risk Areas**

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

| <b>RISK AREA</b>             | <b>DESCRIPTION</b>  | <b>RECOMMENDATION TO ADDRESS RISK</b>   |
|------------------------------|---|---|
| <b>Changing Environment</b>  | 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.  | 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.<br><br>In addition, employees should be cross trained to cover all critical processes during vacations, absences or vacancies in financial positions.<br><br>Currently this inherent risk is not impacting the District. |
| <b>Complex Transactions</b>  | The entity has a mix of program types funded by third parties that could motivate management to shift costs or manipulate accounting transactions.  | The District's internal audit function should monitor practices to ensure that funding regulations are understood and complied with.<br><br>In addition, a properly functioning claim audit procedure will review the appropriateness of charges to the various programs.<br><br>Currently this inherent risk is not impacting the District.  |
| <b>Segregation of Duties</b> | 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.  | Develop an internal auditing plan that can act as a compensating control.<br><br>Currently this inherent risk is not impacting the District.  |
| <b>Prior Audits</b>          | Internal Audit has performed the following audits that will require a follow-up: <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> | 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.  |

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

**Assessment of Risk**

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

| Functional Area                             | Audit Date   | Risk Classification |              | Comments                   |
|---|--|---------------------|--------------|----------------------------|
|   |  | Prior Year          | Current Year |                            |
| Cash – Business Office                      |  | Low                 | Low          |                            |
| Cash – Lunch Program                        |  | Low/Moderate        | Low          | Minimal cash being handled |
| Cash – Extraclassroom                       |  | Low/Moderate        | Low/Moderate |                            |
| Cash – Petty Cash                           |  | N/A                 | N/A          |                            |
| State Aid                                   |  | Moderate            | Moderate     |                            |
| Banking                                     |  | Low/Moderate        | Low/Moderate |                            |
| Accounts Receivable – General               |  | Low                 | Low          |                            |
| Accounts Receivable – Medicaid              | FY 2014/15;<br>2017/18; 2018/19                      | Low/Moderate        | Low/Moderate |                            |
| Accounts Receivable – Special Education     | FY 2011/12;<br>2020/21                               | Low/Moderate        | Low/Moderate |                            |
| Accounts Receivable – Federal               |  | Low/Moderate        | Low/Moderate |                            |
| Accounts Payable                            |  | Moderate            | Moderate     |                            |
| Payroll                                     | FY 2010/11;<br>2012/13; 2014/15;<br>2015/16; 2020/21 | Moderate            | Moderate     |                            |
| Purchasing                                  |  | Low                 | Low          |                            |
| Fixed Assets Accountability                 |  | Low/Moderate        | Low/Moderate |                            |
| Inventory – Fuel                            | FY 2009/10;<br>2021/22                               | Low                 | Low          |                            |
| Inventory – Transportation Parts & Supplies | FY 2013/14;<br>2015/16;<br>2018/19; 2019/20          | Low/Moderate        | Low/Moderate |                            |
| Inventory – Lunch Program                   |  | Low                 | Low          |                            |
| Inventory – Operations & Maintenance        |  | Low/Moderate        | Low/Moderate |                            |
| Inventory – Extraclassroom                  |  | Moderate            | Moderate     |                            |
| Use of Facilities                           | FY 2016/17   | Low                 | Low          |                            |
| Employee Benefits (include retirees)        |  | Low                 | Low          |                            |
| Employee Expense Reimbursements             |  | Low                 | Low          |                            |
| Information Systems                         |  | Moderate            | Moderate     |                            |
| Human Resources                             |  | Low/Moderate        | Low/Moderate |                            |
| Capital Projects                            |  | Low/Moderate        | Low/Moderate |                            |
| Budgeting                                   |  | Low                 | Low          |                            |
| Claims Auditing                             |  | Low                 | Low          |                            |

**Prior Year's Comments and Recommendations**

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

| <b>FINANCIAL AREA IMPACTED</b>                | <b>DESCRIPTION OF CONDITION</b>  | <b>RECOMMENDED SOLUTION</b>   |
|---|--|---|
| <b>IT Controls</b>                            | The District does not have a formal disaster recovery for programs on the district's servers (Nutrikids).  | The District should implement the use of a formal disaster recovery plan for programs that are located on the District's server (i.e. Nutrikids). A formal disaster recovery plan should apply to any program(s) that would require recovering data during any unforeseen circumstances.<br><br>Note: The District will be working with their managed IT provider to formulate a formal disaster recovery plan. |
|   | <b>Updated January 2023: There has been no change from the prior year risk assessment.</b>   |   |
| <b>Information Technology</b>                 | The District has not developed a plan to spend their smart schools bond act funds. The District was allocated over \$1.6 million.                | The District should develop a plan to spend their allotted smart schools bond act funds. The District should ensure to follow State Education Department guidance on what is allowable to spend with their funds and submit their plans to the state.   |
|   | <b>Updated January 2023: There has been no change from the prior year risk assessment.</b>   |   |
| <b>Extraclassroom Fund Activities (ECAAF)</b> | We noted the middle school extraclassroom clubs are not consistently using fundraising request forms prior to conducting a fundraising activity. | The District should ensure the middle school is completing fundraising request forms prior to conducting a fundraiser. This would ensure that extraclassroom activities are following guidelines illustrated in "The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds".  |
|   | <b>Updated January 2023: There has been no change from the prior year risk assessment.</b>   |   |

| FINANCIAL AREA IMPACTED  | DESCRIPTION OF CONDITION   | RECOMMENDED SOLUTION  |
|--|--|---|
|  | <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 2023: There has been no change from the prior year risk assessment.</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 2023: There has been no change from the prior year risk assessment. District staff noted this only occurs occasionally and when this does occur there needs to be approval from the Superintendent in order for the employee to begin working without having their fingerprint clearance first. In addition, these employees are noted on the BOE agenda as not having their fingerprint clearance done.</b></p> |  |   |
|  | <p>The District performs an annual rollover of accrued paid time off. The process is manual in that a clerk must enter the rules into the system based on each contract. There is no review of the entry upon completion.</p>  | <p>The District should assign an individual to review the entries made annually to the rules that govern the rollover of accumulated paid time off for each employee.</p>   |
| <p><b>Updated January 2023: District does send out a letter to all employees each year that notifies them of their accruals. If the accruals are not correct the employee will notify the attendance clerks; however, there is no one at the District internally who reviews the rollover.</b></p>   |  |   |

| FINANCIAL AREA IMPACTED        | DESCRIPTION OF CONDITION   | RECOMMENDED SOLUTION  |
|--------------------------------|--|---|
| <p><b>Accounts Payable</b></p> | <p>The accounts payable clerk stuffs and mail the accounts payable checks.</p>   | <p>The accounts payable clerk should not have the duty to stuff and mail the accounts payable checks. The district should delegate that responsibility to someone outside of the accounts payable office.</p>   |
|                                | <p><b>Updated January 2023: There has been no change from the prior year risk assessment.</b></p>  |   |
| <p><b>Payroll</b></p>          | <p>The individual who is cross trained on the payroll process has not completed a payroll in a number of years.</p>  | <p>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> |
|                                | <p><b>Updated January 2023: The District hired a new accounts payable clerk who will serve as the payroll backup. The individual had only been employed with the District for about six months as of the date of the risk assessment so she had not been cross trained on payroll yet.</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 2022/23 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>Information Technology</b>  | The District does not send periodic phishing emails to all staff as part of cybersecurity training. | The District should consider sending phishing emails periodically to all staff as part of cybersecurity training due to the increased phishing scams targeting school districts. Any employee who clicks on the phishing email should be enrolled in more cybersecurity training. |
| <b>Extraclassroom</b>          | For check signing at the middle school, there is only one signature required.                       | The District should consider requiring two signatures to verify that both signers agree that the payment is proper and reasonable. The District should consider assigning the middle school central treasurer and building principal for this role.                               |

**Cleared Comments:**

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

(Reported for informational and historical purposes only.)

| FINANCIAL AREA IMPACTED                      | DESCRIPTION OF CONDITION   | CORRECTIVE ACTION  |
|--|--|--|
| General                                      | Changes can be made to various systems master files without any review or approval.  | Updated October 2008: The business manager utilizes a change report generated from Finance Manager each month. The report provides a listing of each change by whom the change was made and date.  |
|  | Duties are not rotated during vacation periods in key areas such as banking, disbursements and payroll.  | Updated May 2010: The District has developed other controls such as segregation of duties and management oversight, which has minimized the need to enforce mandatory vacations as a key control.  |
|  | The organization does not use a fraud hotline for vendors, taxpayers and employees to use to report suspected abuse.   | Updated June 2012: The fraud hotline will not be incorporated due to legal counsel advisement. However, the district's attorney will be preparing a policy in lieu of a hotline.   |
| Financial Reporting                          | Per the Board of Education policy #6150 - Budget Transfers - only the Superintendent is permitted to make budget transfers. We noted that the Business Manager is making the transfers.  | Updated May 2010: Board Policy 6150 – Budget Transfers; was revised to authorize the business manager to make budget transfers between line item accounts. These transfers are presented to the superintendent and the Board on a monthly basis. |
|  | 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.  | Updated January 2023: The District has posted on their website the most recent financial statements.   |
| Financial Policies                           | Many of the organization's financial policies have not been updated in recent years.   | Updated June 2012: The District created a policy committee and continues to review and make revisions to board policies as necessary. In addition, the District put the board policies on the district's website.                                |
| Cash (Balances, Receipts, and Disbursements) | The organization should consider setting a debit filter with all banks for all bank accounts. This effectively prohibits the banks from allowing third parties to execute debits on the district accounts. This control would limit exposure to fraudulent access to district funds that are | Updated October 2008: The District has established positive pay and debit filter controls with their banking institution.  |

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|               | initiated outside of the district's operations.  |  |
|               | During our testing of cash disbursements, it was noted that one disbursement tested had a hand-written purchase order and no requisition.  | 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.  |
|               | 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. | 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.<br><br>The accounts payable clerk still makes modifications or additions to the vendor file; however, these changes are reviewed by the business manager. |
|               | 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.   | 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.  |
| Cash Receipts | 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).   | Updated January 2020: We noted staff at the buildings are properly safeguarding the personal checks by keeping them in a secure area.  |
|               | Individuals responsible for delivering cash/checks are not properly safeguarding funds. We noted that cash/checks are being sent to the Business Office in interoffice envelopes. The District does not use locked bank bags when delivering cash/checks to the Business Office.   | Updated January 2023: The buildings are now consistently utilizing locked bank bags when delivering cash/checks to the District Office.  |
| Petty Cash    | The petty cash funds are not returned to the Business Office and deposited at year-end.  | 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  |

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|                  |   | over the summer months otherwise return the fund at fiscal year-end.   |
| Accounts Payable | The accounts payable clerk performs incompatible duties whereby she adds and makes changes to the vendor master file without a compensating control when the segregation of duties is not optimal.  | Updated June 2012: The business manager reviews a bi-weekly change report from the accounts payable module to ensure the changes appear to be reasonable and within the normal course of processing accounts payable.  |
|                  | The District has not adopted a Board policy regarding allegations of fraud.   | Updated January 2022: The District has adopted Board policy 6651 Fraud Policy in April of 2021.  |
|                  | The accounts payable clerk has the ability to add new vendors into the nVision system. Although the business manager and claims auditor review a change report, the accounts payable clerk should not have the duty of adding new vendors.  | Updated January 2022: Every two weeks the Treasurer generates a vendor change report from the nVision system. The vendor change report is reviewed and signed off by the business manager.   |
| Payroll          | Certain review procedures performed to ensure the accuracy over payroll are not documented. This would include the review of: <ol style="list-style-type: none"> <li>1. The 941;</li> <li>2. The W-2's;</li> <li>3. The reconciliation between the 941 and W-2's to the recorded payroll expenses.</li> </ol> | <p>Updated October 2008: The treasurer performs quarterly reconciliation between the 941 form and the general ledger. The 941 is signed by the treasurer to indicate that the process has been accomplished.</p> <p>The business manager performs an annual review of the 941's for completing the ST-3 form.</p> <p>The business office developed an operational procedure that outlines the responsibilities and identifying steps within processes that should be documented to provide an audit trail.</p> |
|                  | Official channels of communication with the IRS may not have been established at an appropriate level. These communications are made directly to the payroll clerk and the Treasurer performing the payroll function.   | Updated October 2008: The business office sent a letter to the IRS informing them to adjust their records to direct any correspondence to the business manager.  |
|                  | The school should conduct a live payroll test at least one time per year.   | <p>Updated October 2008: The District performs the following steps towards payroll distribution:</p> <ul style="list-style-type: none"> <li>• A sign off list is printed by building from Finance Manager;</li> <li>• The courier delivers the checks &amp; sign off sheet to the head secretary at each building;</li> <li>• Each employee must sign for their paycheck;</li> <li>• All completed sign-off sheets are</li> </ul>  |

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|                     |  | <p>returned to the Business Office and kept on file. All paychecks that are not picked up are returned to the Business Office with the sign-off 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> |
|                     | The payroll clerk was hired last year. The individual is new at performing the payroll function for districts which presents a risk due to the complex and manual process involved with the payroll function.  | Updated June 2011: An internal audit was completed during the year, which included a formal report with recommendations for corrective action. No significant observations were noted during the audit.   |
|                     | The District might prepay teacher salaries during the first 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.   | 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.   |
| Affordable Care Act | <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> | 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.  |
| Medicaid            | The District does not provide "Under Direction Of" (UDO) or "Under   | Updated June 2016: The PPS Director cited that high caseloads does not allow the time   |

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|             | Supervision Of' (USO) for providers that are not licensed for Medicaid reimbursement. Therefore, those sessions are not claimed for Medicaid reimbursement for services provided by one speech therapist and five social workers. | necessary for the level of supervision to meet SSHSP requirements. Also, some special education services are provided in co-teach setting which is not reimbursable for Medicaid.<br><br>An audit of Medicaid was completed February 2015 by Internal Audit where the District provided a corrective action plan. The Plan included a process to address this area of concern. |
| IT Controls | Access to the network server that hosts the financial applications is not secured. We were informed that the door is in need of repair.   | Updated October 2008: The District has replaced the door locking device. The keys have been limited to the IT director and manager, and the building supervisor.   |
|             | The backup process for the Finance Manager system has not been tested.  | Updated May 2010: Finance Manager is now Citrix based that operates thru BOCES. The backup process has been tested.  |
|             | The school does not have a written disaster recovery plan for its IT system.  | Updated May 2010: The District has a disaster recovery plan whereby they have an agreement to use BOCES to process district's financial functions. In addition, finance manager is now operated through Citrix and not from the district server.   |
|             | The District has not developed a process to ensure printers and copy machines with hard drives are properly cleaned of sensitive data prior to disposal.  | Updated June 2012: The District has a formal process for properly disposing of technology equipment with hard drives. In addition, the District receives a certificate from the vendor indicating the process was adequately followed.   |
|             | The organization does not have a formal disaster recovery plan.   | Updated June 2013: The District has a formal disaster recovery plan that has been tested.  |
|             | District computers have not been configured to automatically lock down after a specified period of inactivity.<br><br>Note: This is not an issue with Finance Manager (which has recently been updated to nVision).               | Updated June 2016: The Districts workstations are locked after 15 minutes of inactivity.   |
|             | The District's network does not require mandatory changes to password on a regular basis.<br><br>Note: This is not an issue with Finance Manager (which has been recently updated to nVision).                                    | Updated June 2018: All network passwords are required to be changed every 180 days. IT staff will also notify employees and send out periodic reminders if needed. The District network requires password changes but nVision does not.  |
|             | No operational procedures have been   | Updated June 2018: The IT department has developed operational procedures for key  |

|  |   |                                 |
|--|---|---------------------------------|
|  | <p>developed for basic key IT functions.</p>  | <p>functions of operations.</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>   |                                 |

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| GASB 45           | The District has off balance sheet liabilities with respect to its post-retirement benefits that it offers its retirees. This liability will need to be calculated under an accounting regulation known as GASB 45. This requires engaging an actuary to complete the computation. In addition, there are several steps the district will need to take to be ready to implement this accounting regulation in 2008 – 2009. | Updated May 2010: The GASB 45 reporting requirements were included in the June 30, 2009 financial statements. The district understands that this reporting requirement will continue each year.   |
| Special Education | We noted from the June 2, 2014 Goldstar reports that no homeless students were reported during 2011/12 and 2012/13. According to the PPS director, there were no homeless students during 2012/13 but there was one homeless student in 2011/12.   | Updated June 2016: The Homeless Liaison notifies the individual responsible for STAC reporting when a student meets the McKinney-Vento Homeless Act.  |
| Lunch Program     | Cash balances remaining in the cash lunch program cash registers is in excess of the amount authorized by the Board of Education.  | Updated May 2010: The cash held for register start-up money is property of Chartwell, who manages the district's lunch program.   |
|                   | The cashier start-up money is owned by the food service provider (Chartwells Food Service) but each year the Board approves the start-up money. In addition, the start-up money is comingled with the daily cash receipts, which belongs to the district.  | Updated June 2014: Chartwells Food Service maintains accountability of their start-up money while at the school year-end, the money is returned to Chartwells. In addition, the daily register cash collections are tracked -and accounted for through NutriKid, which is reviewed by the district treasurer.   |
|                   | For the year ended 6/30/20, the food service program had a deficiency of revenue to expenditures of \$4,377.   | Updated January 2022: For the year ended 6/30/21, the food service program had an excess of revenues of \$67,535.   |
| Fixed Assets      | The school inventory policy (6640) does not establish a dollar threshold for capitalizing fixed assets. Also, the policy has not been updated for many years.  | Updated May 2010: The District has revised board policy 6640 Accounting of Fixed Assets and Inventories. The policy identifies \$500 as the threshold for capitalizing fixed assets. In addition, identifies \$150 as the threshold for maintaining inventory of all electronic/technology related items.<br><br>The District has adopted board policy 6900 which provide guidance for the disposal of district property. |
|                   | The school does not conduct regular fixed asset inventory and detailed fixed asset records are not reviewed periodically by an appropriate person.   | Updated October 2008: The District is in the process of completing an informal physical inventory. The purpose of the inventory was to identify assets that are reported but no longer exist or assets that have been   |

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|   |  | <p>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 account for tools and equipment with a value of \$150 or more under the fixed asset program. However, for those items under the threshold amount and may be desirable</p> |

FY 2022/23 Annual Risk Assessment for Scotia-Glenville Central School District

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|                                      |   | for personal use, the department maintains an inventory sheet of those items.   |
| Extraclassroom Fund Activity (ECAAF) | It was noted that the advisors and treasurers responsible for extra classroom activities have not received formal training relating to NYS regulations within Extra classroom.  | Updated June 2011: The central treasurer provides training applicable to the NY State Education Department's Pamphlet 2 – "The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds" to all advisors. The treasurer plans on meeting with each to give them more instruction as necessary. |
|                                      | The District does not provide to the Board of Education a quarterly report of receipts and expenditures as required by the SED regulation.  | Updated June 2012: The District provides quarterly extraclassroom reports to the Board of Education.  |
|                                      | We noted one club Class of 2017 that had a negative account balance of \$440.   | Updated June 2016: Per the June 30, 2015 financial statements, the Class of 2017 had a balance of \$1,315.  |
|                                      | We noted during our review of the June 30, 2015 audited financial statement that there were 5 clubs without financial activity. One of which was the same club (1 at the high school) without financial activity for the entire year, which may be an indication that these are not bona fide clubs. Additionally, we noted that HS Amnesty was inactive for two consecutive years.                 | Updated June 2017: Prior year clubs with no financial activity have been dissolved and the remaining funds were transferred into Student Senate per Board approval.   |
|                                      | We noted that the Middle School extraclassroom clubs are not performing ticket reconciliations prepared for admission tickets sold at the door.   | Updated January 2020: We noted the Middle School Extraclassroom clubs are now completing ticket reconciliations.  |
|                                      | We noted that the Middle School extraclassroom clubs are holding regular meetings but are not keeping adequate monthly meeting minutes. This information should be provided to the middle school central treasurer or building principal at the end of each year.   | Updated January 2020: We noted the Middle School Extraclassroom clubs are now keeping monthly meeting minutes.  |
|                                      | After reviewing the most recent financial statements, we noted that the ECAAF program at the middle school has a miscellaneous account, which is used at the discretion of the principal but not maintained directly by students. The account is used to fund school activities and help students if they need financial assistance to participate in school events. The money is accounted for and | Updated January 2021: According to the financial statements ending June 30, 2020, there is no longer a miscellaneous account being used at the middle school as an Extraclassroom account.  |

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|                          | <p>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>Updated January 2022: The District has addressed most of the stale checks and has issued a stop payment on the checks and re-issued as necessary.</p>   |
|                          | <p>High School clubs are not submitting activity budgets at the beginning of the school year. This statement should be completed by the students of each club, when applicable, with the assistance of the faculty advisor.</p>  | <p>Updated January 2023: Clubs at the high school are now submitting activity budgets at the beginning of the school year.</p>   |
| <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> </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> |

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|  | <ul style="list-style-type: none"> <li>• The business manager immediately issued a letter to appropriate staff notifying them that all scrap sales are to be stopped until there is a detailed review of the internal controls over the process and a new procedure has been implemented.</li> <li>• The business office instituted a recycling procedure, which includes the use of a recycling receipt log. The purpose of the log is to record all scrap sales whereby they are confirmed by the business office to ensure the receipt is received intact. In addition, Predel has been asked to provide copies of any pertinent back-up paperwork involving any of their recycling transactions, be forwarded along with the check for payment.</li> <li>• The business office contacted Predel to find out how many transactions occurred and the amount of money that was collected by the district over the past year and prior years. However, the way in which Predel keeps their scrap sale records they were unable to provide this detailed information.</li> </ul> |   |
|  | <p>The vehicle parts inventory is accessible to all transportation staff. In addition, the building does not have camera surveillance.</p>  | <p>Updated June 2014: The District built a storage room with shelving in the transportation garage for proper storage of parts and supplies. The room is kept locked with limited access to essential staff. In addition, camera surveillance was installed on the building's exterior.</p> |
|  | <p>ServiceFinder is capable of generating work orders, track each vehicle's maintenance requirements, and account for parts inventory levels but the process has not been fully implemented at this point. Currently, the mechanics complete a paper work order then provide the paperwork to the transportation office assistant where it is then recorded in ServiceFinder. The mechanics are tracking each vehicle's maintenance requirements on an independent system which is not affiliated with ServiceFinder.</p>   | <p>Updated June 2016: ServiceFinder has been implemented and is completely operational.</p>   |
|  | <p>The scrap metal is being disposed of under a shared cooperative maintenance service. It is not clear which scrap metal is coming off from each bus per the co-</p>   | <p>Updated June 2018: The District has implemented a separate dumpster for the disposal of scrap metal. This would ensure that each district is recuperating the cost of</p>  |

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|   | <p>operative agreement. According to the Director of Transportation, there may be instances where the district has not properly disposed of their own scrap metal.</p>   | <p>their own scrap metal. The scrap metal is usually transported to T.A Predel &amp; Co. Inc. The District will obtain a receipt and a check 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</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>   |

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|                                      | safeguards. The accuracy and completeness of these records can also impact the various costs (insurance, replacement, etc.) associated with district owned assets.  |  |
| Operations and Maintenance Inventory | The District is not using a formal system to track and account for the custodial inventory.   | Updated January 2021: The District has implemented a formal process to track and account for the custodial inventory on an Excel spreadsheet. The spreadsheet is updated each time new inventory comes into the District and each time inventory is used.  |
| Human Resources                      | The District's process for receiving fingerprint clearance is not clear that assures all clearances will be received by the employee start date.  | Updated June 2018: The District receives fingerprinting clearance in less turnaround time than prior years. There are very few instances where the District will allow an employee to start working prior to receiving clearance. In addition, BOCES is responsible for all fingerprint clearance for substitute teaching staff. |
| Financial Reporting and Budgeting    | The District does not have the following documents posted on their website: <ul style="list-style-type: none"> <li>• Most recent annual external audit report and the corrective action plan; and</li> <li>• Any final audit report issued by the state comptroller.</li> </ul> | Updated January 2019: We noted that the most recent annual external audit report and corrective action plan prepared in response to any findings and the final audit report issued by the NYS Comptroller's office were available on the Districts website.  |
| Banking                              | The amount of funds to be transferred via a wire transfer was either missing from board policy or the approved reorganizational meeting minutes.  | Updated January 2020: The District has updated board policy 6615 Online Banking Services to include the amount of funds to be transferred via wire.  |

Scotia-Glenville School District  
Scotia, New York

April 28, 2023

To: Alexa Schaefer

From: Andrew Giaquinto, Business Manager 

Re: Risk Assessment – Corrective Action Plan

Please see below for the District's response to the Risk Assessment Audit findings:

**ECAF (MS Fundraising)**- Student Council and clubs that have engaged in fundraising activities had advisors at the recent annual training where it was noted that fundraising request forms are to be used. Additionally, despite not having fundraising activities recently, it will be stressed to all advisors about the proper use of fundraising forms.

**ECAF (Second signature)**- It indicates that the District only requires one signature. It is recommended to the district that two signatures is best practice. The training was clear that one major benefit from ECAF activity is the exposure to funds reconciliation and business practice to school aged children at the secondary level. The Middle School Principal's recollection was/is that student treasurer(s) signed off on reconciliation/deposit forms. He would agree that two signatures on checks would also provide a quality control check, however he would submit that the second signature should be that of a student to increase exposure to business practice. The Business Manager feels that this is not a valid solution. He feels that middle school students are too young to sign the checks and the issue of student turnover every year comes into play. He recommends the principal be the second signer, as is done at the High School.

**ECAF- (Auditing)**- In response to review of ledgers for cash reconciliations, disbursements, and receipts, the Faculty Auditor received the training materials from the annual training and the Middle School Principal will work with her to ensure she examines the aforementioned items monthly and especially during and after events/functions (for example, the March Drama Club presentation).

**Accounts Payable**- The checks sent out by Accounts Payable are self-sealing, there is no "stuffing of the checks" by the accounts payable clerk. 90% of these are mailed directly after the Claims Auditor authorizes release. The remaining 10% require the

sealed check to be put in an envelope with other paperwork (remit to slips, contracts, etc.) and then those are mailed in a window envelope with the sealed check enclosed. The checks are sealed immediately upon printing, copies of the checks are audited by the internal claims auditor and the checks are not released until she has signed off. At this point in time, we do not have enough staff to segregate this duty, nor do we feel that under the current procedures that this is a substantial enough of a risk to change.

**Payroll-** As noted, our new accounts payable clerk has been learning the AP process and has only been able to train on auditing timesheets up to now. She will be running an entire payroll this summer and then will run at least once a year going forward once she learns the process.

**Human Resources-** As we have previously communicated, Sheri and Drew do both review as per GASB 16.

**IT Controls: Disaster Recovery** - There is currently no change. The new IT Director was not made aware of a DR plan that exists when he came on board. He will work to determine if there was ever one developed in the district and look to bring it current, if available. If that is not the case, he will look at creating one. It is unlikely that it will be ready for the next audit but something that the district will benefit from once a determination is made what it should look like. It should be noted that our financial system is secure and resilient as it is hosted off-site at the NERIC.

**Information Technology: Safe Schools Bond Act** - There is currently no change. The new IT Director was under the impression that this was already exhausted and only learned that SG had not utilized it's SSBA funding after speaking with Karen Swain & during the audit interview. Development of a plan for utilizing SSBA is a multi-step process that he will need to familiarize himself with. It is something that will greatly benefit the district when we are able to leverage it.

**Information Technology: Phishing simulation emails** - This will be an ongoing training item and something that the IT Director is familiar with and has implemented in the past, but it would likely require a purchase. The idea behind it is to "bait" district users into responding to a simulated phishing email. The data that is gathered on who was baited and what was potentially compromised is then used to provide professional development and training on items to look for when receiving emails, calls, texts etc. If info is provided to a potential bad actor, that could be used to "attack" the district. This is something that will be considered for the 24/25 school year.

Please let me know if you require any further information.