Lewiston-Porter Central School District

Risk Assessment and Audit Plan

April 9, 2019

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Audit Committee
Assistant Superintendent for Business
Lewiston-Porter Central School District
Youngstown, New York

Dear Audit Committee:

This report, as expressed in the risk assessment ratings, provides you, the District's management, and the audit committee with the assessment of the need for controls and a means to prioritize risk mitigation efforts. The risk assessment is an initial step in your risk management program of assessing risk, evaluating controls, reviewing control effectiveness, and adapting measures to achieve an acceptable level of risk. The risks noted in the risk assessment should be evaluated in light of your existing policies and practices to identify potential improvements or changes in the control structure based on the level of risk presented. To assist you in establishing review programs for these activities, a potential audit plan and schedule for the entities are provided.

We appreciate the opportunity to prepare this risk assessment for Lewiston-Porter Central School District and are available to assist you in carrying out other portions of the risk management program including the work plan. We are also available to answer your questions. Please contact Kathryn Barrett at 585-344-1967.

Sincerely,

Freed Maxick CPAs, P.C.

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EXECUTIVE SUMMARY

The internal audit function's primary responsibility is to assist the Board of Education in ensuring that control risks are identified and that appropriate internal controls are in place to address those risks. An entity's binternal control is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance that assets and District information is adequately safeguarded and reduce the likelihood that errors and/or irregularities could occur and go undetected.

In December 2006, the audit committee requested that Freed Maxick CPAs, P.C. perform an initial risk assessment and prepare an internal audit plan for Lewiston-Porter Central School District (the District). This report represents an update to the initial risk assessment that was performed for the Lewiston-Porter Central School District. It has been updated for all modifications made to the internal controls since the initial risk assessment was performed. This risk assessment and internal audit plan, will be used to develop the scope and direction of the internal audit program to be deployed by the District and Freed Maxick CPAs, P.C. during the current fiscal year.

Establishment of a comprehensive internal audit program will enable the District to align its mission and vision with its operational structure and environment, assess risk as it relates to materiality, opportunity, and organizational objectives, control risk mitigation, improve organizational functionality through value-added communication and information resourcing, and vigilantly monitor the effectiveness of internal control to promptly counteract any shortfalls. It can also be used to determine what resources will be needed to complete the identified higher risk internal audits.

Intrinsic in the risk assessment of the Lewiston-Porter Central School District is the concept of materiality. Those areas of the District that deal with more significant dollars or a higher volume of transactions will most likely score as higher risk merely due to the dollars and number of transactions passing through those transaction cycles.

The objective of this report is to ensure that Lewiston-Porter Central School District has sufficient and continuous internal audit coverage of those areas judged as having a relatively higher risk profile or that otherwise require internal audit attention for regulatory or management reasons.

The scope of the risk assessment and internal audit plan has been reviewed and approved by the Audit Committee of Lewiston-Porter Central School District, who in turn has final responsibility and authority for the satisfactory execution of the internal audit plan. The risk assessment and internal audit plan is primarily risk-based and is organized around the District's major internal control cycles. The plan was developed based on detailed interviews with employees, administrative personnel, the results of previous internal and external audits, and our cumulative knowledge of the District's internal control risks.

Our interviews with employees, management and administrative personnel were directed toward gaining a thorough understanding of the objectives and related risks in each internal control area, from the perspective of the individuals responsible for controlling such risks. Using this information and input, we evaluated the level of risk (low, moderate or high) present in each area; across a standard spectrum of risk categories (see Appendix for risk category definitions). A summary of this risk analysis by control cycle is included subsequently. The risk assessment process also drives the planned scope of the internal audit coverage, which is summarized by internal control area. **All changes to the District's internal controls since the last risk assessment are noted in bold blue type or have been striked through.**

District administration and the Audit Committee are responsible for establishing and maintaining effective internal control. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

RESULTS OF REVIEW OF INTERNAL CONTROLS AND ON SITE VISIT

Cross Training of Business Office Functions

◆ Based on our conversation with District personnel, it appears that all business office functions have not been cross trained, although many of the key business function have been. Cross training is essential to ensuring all business operations continue uninterrupted in the case of a vacation or longer-term absence. We recommend the District continue its efforts to ensure staff are cross trained in all business office functions.

Management Response: As a result of upcoming transfers and retirements a new cross training schedule will be implemented by the Assistant Superintendent of Administrative services. The schedule will be set in July 2019, employees will spend 2 hours per month learning each other's jobs.

Policy and Governance

◆ In accordance with section 200.318 of the Uniform Guidance, the District "must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No Employee, officer or agent may participate in the selection, award or administration of a contact supported by a Federal award if he or she has a real or apparent conflict of interest." In addition, "the standards of conduct must provide for disciplinary actions to be applied for violations of such standards." We recommend that the District review their existing conflict of interest policies to ensure they comply with the Uniform Guidance.

Management Response: This policy was reviewed by the Policy Committee and changed at the last meeting in May of 2019.

STAC Processing

◆ Senior Typist for the CSE Department completes and submits the annual verification form (AVL) to the State, which generates excess cost aid for the District. When completing the AVL, costs are updated for actual services provided. CSE office double checks student names on the AVL to internal records and Agency and BOCES bills to ensure the AVL includes all students and all services provided to the students, but there is no secondary review of the internal cost calculations submitted on the AVL. While the District has retained a consultant to review the STAC process, this review does not include a detailed review of all student cost calculations. We recommend the Director of Special Education perform a detailed review of all student cost calculations performed by the Senior Typist to ensure accuracy of these calculations prior to the submission of the AVLs to the State.

Management Response: Effective immediately the Director of Special Education will review all Claims prior to submission, comparing each claim to the costs of services rendered.

◆ The District has retained a consultant to review the STAC process. The consultant communicates directly with the Director of Special Education and/or the Assistant Superintendent for Administrative Services regarding any errors, irregularities or improvements that can made to the process. We recommend the District consider requesting a formal report from the consultant of the scope of their review and any findings or recommendations that have been communicated as a result of their review.

Management Response: The Assistant Superintendent for Administrative services will look into the possibility of requesting a formal report for the next review period and, if it is cost effective, will request such a report.

Decentralized Cash Receipts

◆ Cash is collected for admissions to athletic events. There is no reconciliation of tickets sold to the amount collected and deposited. We recommend the Athletics Department perform a reconciliation of the tickets sold to the amount collected and deposited and provide a copy of this report to the business office with the bank receipt.

Management Response: The Assistant Superintendent for Administrative service will work with the policies and procedures committee to draft a procedure for cash receipt reconciliation and will train the athletic ticket takers for the upcoming school year.

◆ The District recently started a community education program. The District must monitor the profitability of the program on a continuous basis to ensure taxpayer funds are not used to support the program. This would include all costs to administer the program. Article 8, Section 1 of the New York State Constitution prohibits the use of public funds for the benefit of private groups or individuals.

Management Response: The Assistant Superintendent for Administrative Services along with the Superintendent will monitor the cost of the program.

Internal Claims Auditor

◆ The Claims Auditor does not review voucher packets for inclusion of appropriate bids or quotes in accordance with the District's internal audit checklist. We recommend that the internal claims auditor understand the purchasing policy of the District and ensure all documentation supports the purchase and the internal audit is performed is in accordance with the Districts internal practices.

Management Response: The Purchasing Clerk will submit the back-up quotes and other supporting documentation information along with the claim forms with the packet to the Claims Auditor so that she can ensure the purchasing policy is being followed.

Human Resources

◆ The Benefits Administrator/Personnel Secretary is responsible for calculating the employee benefit deductions and entering the deductions into the deduction tables in nVision. There is no secondary review of the annual updates to the benefit deduction tables in nVision. We recommend someone other than the Benefits Administrator/Personnel Secretary review the calculation annual benefit deductions and the amounts entered in the benefit deduction tables for accuracy.

Management Response: The Payroll Clerk will provide annual deduction reports in July or as soon as possible. The Assistant Superintendent for Administrative Services or her designee will double check the calculations for deductions for each group after they have been entered into nVision, based on the reports provided.

Wire Transfers

◆ District wire transactions are not performed on a dedicate computer without e-mail and web browsing capabilities. We recommend the District assign one dedicated computer solely for transacting wire transfers in an effort to increase security over District banking transactions.

Management Response: We have not had any issues with wire transfers. There is a secure process by where a special code is sent to a fob for each wire and ACH transaction. At this time we do not believe this requires a separate system.

Computer System Controls

◆ The District currently does not perform risk assessments over the information technology infrastructure. Nor does the District have a written disaster recovery plan, change management plan or formal response in the event of an incident / breach. We recommend that the Board consider initiating a thorough review of current information technology internal control procedures and policies and evaluate the need for changes or improvements to enhance the effectiveness and efficiency of current operations.

Management Response: The District has just hired a Director of Technology and Data. The Director will be charged with working with our managed service department to codify the emergency and disaster recovery plan and determine the need for an independent IT risk assessment.

◆ The District currently does not have a comprehensive cybersecurity program with a formal technology vulnerability management and penetration testing process to protect itself from cybersecurity threats. New vulnerabilities and new attacker exploits occur almost daily, thus the District could be susceptible to attack which could cause significant disruption or loss of sensitive and valuable data. In addition, it can be difficult for IT departments to keep systems current on frequent security upgrades released by hardware and software vendors. We recommend the District implement a formal cybersecurity testing program to help ensure the proper security layers and controls are in place. We recommend performing periodic cybersecurity risk assessments internal and external vulnerability and penetration testing. This should be performed at least annually or whenever a significant change is made to the IT environment, so that identified potential vulnerabilities can be monitored and the security of your network can be improved, reducing the District's risk exposures from being compromised.

Management Response: The District purchases their cyber security services through Erie 1 BOCES. We also pay Erie 1 BOCES and Utica Mutual for Cyber security insurance. The new Director of Technology and Data will work closely with the Erie 1 BOCES managed service team to codify the testing system used by BOCES so that we have a better understanding of their testing process and how it impacts our cyber security. This will be included in the Disaster and Recovery Plan.

Fixed Assets

◆ Physical inventories of fixed assets other than computers are not performed on a regular basis. The last physical inventory of these assets was performed in December 2016. We recommend the District perform a physical inventory of a random number of assets on an annual basis.

Management Response: The cost of a full physical inventory is excessive and not required at this time. This will be done on a five year cycle. The inventory control clerk has been issuing tags and recording inventory based on policy and procedure. A random sample of physical assets will occur annually.

Other

The following are other risks that have been identified in previous risk assessments where the District has determined the risk to be very low or has reviewed the risk and has determined the District does not currently have the resources available to address the situation. Thus, the District has accepted the identified risks at this time:

◆ There is a lack of segregation of duties in the human resource and payroll processing modules of NVision as both the Personnel Clerk and Payroll Clerk have the ability to add employees in NVision.
◆ There is a lack of segregation of duties over retiree health insurance billing and receipts. The Benefits Administrator prepares the retiree health insurance bills, receives the payments, follows up with the retirees on any unpaid amounts and maintains the health insurance spreadsheet.
◆ Accounting periods can only be re-opened by the Treasurer but with prior approval from the Assistant Superintendent for Administrative Services. The Treasurer verbally communicates her request but the ability to freely reopen exists. Further, there is no monitoring of periods reopened.
◆ Access to server closets are not adequately controlled. The IT Director, BOCES technician (on site), LAN Administrator, custodians and Principals (with building master key) all have access to the server rooms.

CORRECTIVE ACTIONS TAKEN ON PREVIOUSLY REPORTED FINDINGS

Policies – Previously we noted the District policies were not updated. The Policy committee has been meeting and performing a review of all district policies. In addition, we reviewed the District's procurement policy and noted it had been updated and is now in compliance with the Uniform Guidance.

Cash Receipts Segregation of Duties – Previously we noted the District had not adequately segregated duties within the cash receipts functions. The District has implemented mitigating controls. The Personnel Clerk reconciles the treasurer's receipt to the bank deposit.

Procedure Manual - Previously we noted the District had no fully documented various accounting procedures in an accounting procedures manual. Business office employees have been asked to complete and accounting manual to document daily, weekly, annual and other periodic business responsibilities to be used by staff for cross training purposes.

Time Off Requests - Previously we noted the process for requesting time off was not consistently followed in all departments/buildings. The District has a comprehensive policy for requesting time off and the policy has been communicated to all staff.

Reconciliation of Fixed Assets to Financial Statements - Previously we noted the District's fixed asset records do not reconcile to the financial statements due to the District changing asset maintenance companies. The District worked with their external auditors to resolve the issue.

RISK ASSESSMENT SUMMARY

Risk Factors>>> (Definitions of the Risk Categories can be found in the Appendix)	Inherent Risk Factors									Control Risk Factors						Current Year Risk Score	Current Year Rating		Prior Year Risk Score
	Ext Mkt Rep	Financial	Operational	Legal/Regulatory	Strategic	Tech/System	People/Culture	Fraud		Monitoring	Info/Communications	Control Activities	Risk Assessment	Control Enviro.					
Budgeting, Governance and Reporting	L	L	L	L	M	L	L	L		S	S	S	S	S		208	10		220
State Aid	L	H	L	L	L	L	L	L		S	S	S	S	S		224	4		224
STAC Processing	L	L	L	L	L	L	M	L		M	S	S	S	S		235	3		213
Medicaid Billing	L	L	L	L	L	L	L	L		S	S	S	S	S		200	11		200
Grants	L	L	L	L	L	L	L	L		S	S	S	S	S		200	12		200
Centralized Cash Receipts	L	L	L	L	L	L	L	L		S	S	S	S	S		200	13		210
School Lunch Cash Receipts	L	L	L	L	L	L	L	L		S	S	S	S	S		200	14		200
Purchasing and Cash Disbursements	L	H	L	L	L	L	L	L		S	S	S	S	S		224	15		247
Payroll Processing	L	H	L	L	L	L	L	L		S	S	M	S	S		247	2		247
Employee Benefits and Paid Time Off	L	M	L	L	L	L	L	L		S	S	S	S	S		212	8		222
General Ledger Maintenance	L	L	M	L	L	L	L	L		S	S	S	S	S		210	9		210
Wire Transfers	L	L	L	L	L	M	L	L		S	S	S	S	S		215	7		215
Fixed Assets	L	L	L	L	L	L	L	L		M	S	S	S	S		222	6		242
Fuel Depot	L	L	L	L	L	L	L	L		S	S	S	S	S		200	15		200

RISK ASSESSMENT SUMMARY (CONTINUED)

Risk Factors>>> (Definitions of the Risk Categories can be found in the Appendix)	Inherent Risk Factors									Control Risk Factors						Current Year Risk Score	Current Year Rating		Current Year Risk Score
	Continuance of Business	Communications/Network	Business Units Served	Complexity of Env.	Staffing	Availability/Response	Computing Platform	Information Sensitivity		Monitoring	Info/Communications	Control Activities	Risk Assessment	Control Enviro.					
Information Technology	L	L	L	L	L	L	L	L		S	S	M	W	M		275	1		275

INTERNAL AUDIT PRIORITIES

Based on this risk assessment the following areas have been identified as high risk relative to the current fiscal environment and internal controls that existed at the time of our risk assessment. We recommend the Audit Committee consider selecting for internal audit at least one of the areas identified below:

◆ Information technology – Due to vulnerabilities and new attacker exploits that subject information systems at risk of cause significant disruption or loss of sensitive and valuable data, this area has been identified as being of higher risk within the District. An internal audit will include performing a risk assessment of the District's various information systems and also internal and external vulnerability and penetration testing.

◆ Payroll - Due to the financial and inherent risks associated with payroll for school districts in general, this area has been identified high risk within the District. We will perform tests of payroll registers for selected employees to verify that employees listed are employed by the District and are paid in accordance with their contract. We will test hourly employees to verify that the hours paid are supported by time sheets and that the time sheets have been approved by a supervisor and that they have been paid the correct rates.

◆ STAC Processing - Due to the inherent risks associated with cost calculations for students eligible for excess cost aid and lack of internal controls over cost calculations, this area has been identified as being of higher risk within the District. We will review student Individual Education Plans (IEP) and verify all services provided to the students are included in the calculation of the education costs of those students. We will verify the District has documented how the costs are to be calculated and include all eligible benefits of the instructors responsible for providing services to those students.

◆ State Aid – Due to the financial and strategic impact that state aid has on the District this area has been identified as being of higher risk within the District. We will test the data reported to the State Education Department to verify that it is accurate and verify ST-3 expenditures to ensure that the District spent the maximum amount of state aid provided.

◆ Purchasing and Cash Disbursements - Due to the inherent risks associated with purchasing and cash disbursements for school districts in general, and weaknesses identified in the claims audit process, this area has been identified as an area of higher risk within the District. We will include selection and testing of cash disbursements from throughout the District to verify that the purchases were reasonable and necessary, were properly approved, and there were available appropriations. We will also verify that all District purchasing policies and internal controls have been followed and that the transaction was supported by appropriate bid or quote information.

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RISK ASSESSMENT

Budgeting, Governance and Reporting

Various employees of the District provide input in the annual budget prepared by the Assistant Superintendent for Administrative Services. The budget is presented, modified, and eventually approved by management, the Board, and ultimately the voters of the District. The budget outlines the financial goals and objectives of the District for the year. Budgeting and long range planning continue to be important in maintaining the District's fiscal health without significant reductions in programs. The District has a long range plan in place for which it updates biannually and posts to the District website.

The Assistant Superintendent for Administrative Services is responsible for accumulating the budget information for all schools and departments. The appropriations budget for the current year is developed based on current and prior year actual expenditures and anticipated appropriations for the upcoming fiscal year.

The revenue budget is prepared by the Assistant Superintendent for Administrative Services based on initial state aid projections provided by the Governor's office. Initial aid projections for transportation and BOCES aid may be revised based on prior year's expenditures (BOCES aid) and current year budgeted expenditures (transportation aid) multiplied by the District's aid ratio.

Revenue sources other than state aid and property taxes are budgeted based on historical results. The Assistant Superintendent for Administrative Services is responsible for calculating the tax cap.

The budget is presented to voters in mid-May and voted on the third Tuesday in May.

Actual results are compared to the approved budget by the Assistant Superintendent for Administrative Services and the Board at least monthly.

The District has a Code of Conduct/Ethics policy. These and other policies are provided to all employees in their employee handbook and are reviewed with staff during annual staff training in the fall. The District is ~~in the process of~~ **continuously** reviewing and updating their policy manual.

STATE AID
State aid consists of many component areas. Those areas include the following:

- ◆ Foundation aid - calculated by the state based on information provided by the District.
- ◆ Per capita aid (library textbook, hardware and software aid) - based on pupil counts times a state derived rate.
- ◆ Building aid - based on debt service payments times an aid ratio.
- ◆ Transportation aid - based on costs associated with providing transportation services times an aid ratio.
- ◆ BOCES aid - based on previous year's BOCES expenditures times an aid ratio.

Aids are calculated by the state based on information provided by the District. Much of the information that generates state aid is reported on the ST-3 financial and supplemental schedules. The District Treasurer is responsible for completion of the ST-3 and the Assistant Superintendent for Administrative Services reviews it for accuracy and significant variances in information that will impact state aid in the following year.

The Assistant Superintendent for Administrative Services reviews the state aid calculations for reasonableness based on information provided by various resources. **School Aid Specialists also review the ST-3 for variances and potential errors.** However, these individuals do not have access to state aid receipts as these are received through an ACH transaction. State aid is monitored by management for any unexpected changes. Output reports are monitored monthly for any significant changes and the full report is printed out quarterly. The District is a member of Questar and regularly attends state aid meetings sponsored by Questar.

STAC PROCESSING

STAC forms are submitted based on Individualized Education Programs (IEPs) developed by the Committee on Special Education (CSE) Office. Students can receive services through outside private agencies, BOCES, or can receive in-district services. The service provider will be identified on the IEP along with all of the services to be provided and the frequency of the service.

Students are identified as possible special needs students by either teachers, parents, family physician or outside agencies. The District will submit costs to SED based on the placement type (Agency, BOCES and In-District). The Director of Special Education and the Senior Typist for CSE reviews the cost calculations prepared by the special education secretary to verify it includes all services provided to the student and related costs. The Senior Typist for CSE enters the estimated cost information and student demographic information into the State Aid Website and creates the STAC form for all students whose costs exceed or are close to the District cutoff threshold. The business office receives a "Notice of Commissioner's Approval for Reimbursement" from SED as confirmation that the STAC was submitted and accepted.

The CSE Department will monitor the Gold Star Report and report of unverified students to ensure all STACs have been submitted and approved by the State Education Department.

The following year, the Senior Typist for CSE submits the AVL based on updated cost information received from the District and BOCES for all students verifying the accuracy of the initial STAC. School Aid Specialists review the STAC process at least **bi**annually. **Their review is geared towards methodology of how the District is calculating student costs. They do not recalculate the cost per student for every student or tie the costs to the Student's IEP but may perform spot checks of individual students and review salary and benefit information used in the cost calculations.**

MEDICAID

The District uses Michael Degman, a private agency, to process Medicaid claims.

The CSE Director and Medicaid Clerk are aware of the Medicaid requirements, including the documentation requirements and timeframes for maintaining information (6-7 years). The providers must have certain credentials in order to claim their services and subsequently, if they fail to obtain or submit verification of these credentials, the claim is not eligible for Medicaid reimbursement. Providers utilized by the District have received a National Provider Identifier or license number and all relevant employees have participated in the Annual Compliance Training Program.

The Medicaid Consultant obtains a list from Front Line of eligible students every month. The Medicaid Clerk then sends out consent letters to for newly eligible students receiving services to obtain the parent's consent to submit Medicaid claims. Most parents within the district consent for the District to bill Medicaid for the services provided

If there is a referral for a service, the District must obtain a prescription, which includes a medical diagnosis and is signed by the student's doctor. Speech & Occupational Therapy providers are licensed under the direction of certified specialists. The District must document Agency contracts and countersign all claims/progress notes when a provider is "under the direction of". All documentation is maintained in Medicaid Direct. All paper claims (some providers, BOCES and Summit) are entered into Medicaid Direct by the consultant. For transportation, the costs must be obtained and detailed on a monthly basis.

Once all of the information is obtained by the District, it is given to the Medicaid consultant to review and ensure proper documentation has been obtained/completed prior to submitting claims. If information is missing, the documentation is returned to the District by the Medicaid consultant. The Medicaid consultant has access to Medicaid Direct.

The Medicaid consultant will monitor the Medicaid website to ensure the claims have been processed and paid and will follow up with the CSE Director with regards to status of outstanding claims. Additionally, the Director of Special Education performs a quarterly review the status of the claims as part of management oversight.

GRANTS

Grant oversight is centralized with the CSE Director. Budgets are prepared outlining anticipated program expenditures and submitted to SED for approval. All program budgets are provided to the District Treasurer who inputs the budgets into NVision once they have been approved by the State.

Program budgets are monitored by the CES Director. Draw-down requests are prepared by the Treasurer and submitted to the State on a monthly or quarterly basis. Time certifications are completed monthly or semiannually, depending on the employee status (i.e. working full time or part time in the grant program). The Payroll Clerk monitors the completion of payroll certifications.

The CSE Director appears to be competent and understand grant objectives, perform evaluations of program operations, and monitors results.

CENTRALIZED CASH RECEIPTS

Property tax assessments are prepared by the Towns and provided to the County. The Assistant Superintendent for Administrative Services calculates the tax rate and provides it to the County. The bills are prepared by the County and sent to the Tax Collector/Accounts Payable Clerk to mail. Collections are either paid in person, mailed to the tax collector at the school or taken directly to Key bank.

When paid at the bank, a deposit receipt is created by the bank and forwarded to the Tax Collector. Any checks received by the District are verified to the bill. Checks are also reviewed for the signature and that they are dated properly. All payments are input into the Taxpro tax collection software by the Tax Collector, restrictively endorsed and prepared for deposit. The Tax Collector ~~maintains a manual receipt log of the daily deposits and compares the daily total~~ **reconciles the daily cash receipt report from nVision** to the amount entered into Taxpro. At the end of the tax collection period, the tax collector will reconcile the tax collectors report to the tax collections and the bank deposits. The reconciliation is reviewed by the Assistant Superintendent for Administrative Services. Any taxes not paid during the tax collection period (ending 1st week in November) are remitted to the County for collection along with the tax collector's report.

The most significant cash receipts are received by check or wire transfer. Actual cash collections at the District are less than $5,000 annually and consist primarily of admissions to athletic events and student fees. Processing receipts is centralized at the Business Office.

The District bills retirees for health insurance. The retiree receives a letter from the District which states what amount is owed by the retiree each month. Checks are received from retirees by the Benefits Administrator who records the payment in NVision, completes a deposit slip and forwards the deposit to the District Treasurer for deposit at the bank.

General cash receipts are collected by the District Treasurer and restrictively endorsed. The Treasurer will complete a manual Treasurer's receipt, in triplicate, and sign the receipt. The Personnel Clerk prepares the bank deposit, attaches the Treasurer's receipt and verifies that the receipts match the bank deposit. The Treasurer records the deposits into NVision and ensures the amounts recorded in NVision agrees to the amount deposited. The Treasurer maintains an independent cash receipt log in excel and compares the amounts reported on the log to the cash receipts entered into NVision. All cash receipts are locked in a bank bag and deposited on a daily basis.

State aid payments are received as electronic fund transfers. The District Treasurer will print the remittance and enter the receipt into NVision.

The Business Administrator receives bank statements unopened.

Employees processing receipts appear to be adequately trained. Cash receipt function is segregated from the cash disbursement function. Revenue is monitored on a consistent basis by management.

School Lunch Cash Receipts

School lunch cash receipts consist of cash, checks and on-line payments through MySchoolBucks.com. There is a higher frequency of cash collected than any other area within the District, consisting of approximately $400 per day. The District outsources its school lunch operations to Personal Touch and uses the WinSnap point of sale (POS) system in all of the schools. The receipt process is very routine and easy to operate and is visible to all in the cafeteria.

Cash drawers are counted by the cashiers and a cash tally sheet is completed in WinSnap. The cashier at the main register in each building combines the cash receipts from the registers and completes the deposit slip in triplicate. The cashier at the main register then prints 2 copies of the "Daily Cash and Count Report" from the WinSnap system. The cashier who collected and counted the drawer signs the bottom of the report. The reports and cash collected is then forwarded to the Food Service Manager who completes a deposit slip. The daily cash receipts are placed in a locked bag with the deposit slip until picked up by the District Courier

Cash drawers are reconciled on a daily basis to cash receipt information from the Daily Cash and Count Report by the Food Service Manager. Cash over/short is generally not more than $2. A copy of the Daily Cash and Count Report is forwarded to the Business Office.

At the end of the month, District Treasurer will receive the cash receipt ledger produced by the WinSnap System from the Food Service Manager and reconciles it to the daily bank deposits. The sales activity noted on the ledger is then entered into NVision.

The Building Team Leader reviews all voided transactions on a daily basis and the Food Service Manager approves the voided transactions. Voided transactions occur infrequently. The Food Service Manager also reconciles production reports to school lunch sales on a daily basis.

PURCHASING AND CASH DISBURSEMENTS

Most of the District's purchase are off State Contracts, **County (piggy back) or BOCES bids**. Requisitions are submitted by employees primarily for supplies, conferences, contractual expenditures or other purchases that can be planned in advance. Supervisors, **Principals** and the Purchasing Agent (Assistant Superintendent for Administrative Services) review all requisitions to ensure the purchase is reasonable and necessary for the District and will verify it is accompanied by appropriate quote or bid information. If there are not available appropriations, then the supervisor must request a budget transfer in advance of processing the requisition.

Once the requisition is approved by the Purchasing Agent, it is converted to a purchase order by the Accounts Payable Clerk and printed. Two copies are retained by the Accounts Payable Clerk, one is mailed to the vendor, and two copies are forwarded to the secretary who entered the requisition.

Goods are shipped to the requisitioner. Upon receipt of the goods, the requisitioner is responsible for checking the goods shipped to the packing slip and the purchase order. The requisitioner will sign the receiving copy of the purchase order and forward it and the packing slip to the Accounts Payable Clerk.

Claim forms are used for reimbursement for small purchases that generally are not planned ahead, mileage reimbursements, payments to sport officials, etc. Conference request forms are used for conferences. Claim and conference request forms are approved by supervisors prior to submission to the Business Office for processing. Expenditures that are not reasonable and necessary for the District will not be reimbursed.

Upon receipt of the receiving copy of the purchase order and packing slip, the Accounts Payable Clerk will assemble the voucher packet with the invoice. The Accounts Payable Clerk will enter the invoice into NVision with the invoice number and amount and will verify the data input to a manual tape of the invoices. Once the totals agree, the Accounts Payable Clerk will print a Checks Waiting to Print List. The list and the voucher packets are then forwarded to the Claims Auditor.

The Claims Auditor audits the vouchers to the Checks Waiting to Print List. Upon approval, the Claims Auditor will sign the vouchers and return them to the Accounts Payable Clerk. The Claims Auditor retains the Checks Waiting to Print List for verification against the final warrant.

Once the vouchers have been returned to the Accounts Payable Clerk, the Accounts Payable Clerk will print the checks. Checks are printed on the 15th and 30th of the month by the Accounts Payable Clerk. The Accounts Payable Clerk has access to the Treasurer's signature through an unencrypted flash drive. Signature access is restricted through NVision. Each electronic signature can only be used in conjunction with a specific module in NVision, for which the individual has access rights.

Once the checks are printed, the Accounts Payable Clerk will print the final warrant. The final warrant is forwarded to the Claims Auditor who compares the details on the final warrant against the audited Checks Waiting to Print List. Once verified, the Claims Auditor will sign the final warrant and return it to the Accounts Payable Clerk. Once the signed warrant is received, the Accounts Payable Clerk will mail the checks.

The Claims Auditor provides monthly reports to the Audit Committee and meets with them twice a year.

Purchasing and the subsequent cash disbursements are processed through many levels of approval prior to the issuance of checks. Cash disbursements are monitored by management on a regular basis through the budget and are subject to audit by the Claims Auditor.

PAYROLL

Payroll data files are updated daily for employee additions, deletions, changes to withholdings, salary, etc. Generally, the Personnel Clerk will add all new employees and the Payroll Clerk will process payroll and make any necessary changes to the payroll records once the employee is in the system. The Personnel Clerk is not involved with processing payroll.

The processing of data files is routine and appears to be maintained by experienced employees. The most significant updates occur when new contracts are approved, salary schedules under the new contracts are entered and when payroll and tax tables are updated annually. The Payroll Clerk updates the salary and deduction tables within NVision and the Assistant Superintendent for Administrative Services reviews the tables. After the annual updates are processed, salary notices are generated from NVision for all employees. The salary notices are required to be signed and returned by the employee.

Building Secretaries update the attendance module of NVision for employee attendance, substitutes, overtime, out of title hours, and bus monitor hours. The Payroll Clerk process the payroll on a biweekly basis and will produce various edit reports after the payroll is entered and prior to posting to ensure accuracy' and reviews the payroll for any unusual transactions. Once the data entry is complete and reviewed by the Payroll Clerk for accuracy, the Payroll clerk will print a payroll change report and payroll comparison report (comparison to the prior pay period) which is provided to the Assistant Superintendent for Administrative Services for review and approval.

Once the payroll is reviewed by the Assistant Superintendent for Administrative Services it is posted to the general ledger and the checks and direct deposit vouchers are printed.   The Payroll Clerk has access to the Treasurer's signature through an unencrypted flash drive which is maintained by the Payroll Clerk in a locked drawer.

EMPLOYEE BENEFITS AND PAID TIME OFF

Paid Time Off:
Collective bargaining agreements and memorandums of terms and conditions outline the vacation, personal and sick day benefits for each employment group or employee. The attendance module of NVision is integrated with payroll. If an employee wishes to use their vacation or personal days they must submit a request to their supervisor for approval. Some buildings use a formal request form and some are informal. Time off is not always approved by the employee and their immediate supervisor. As per each individuals bargaining unit's contract, there are times when time off needs the approval of the Superintendent. The Superintendent's Secretary will then submit a copy of the request to the Personnel Secretary to be placed in the employee's personnel folder, and to the Payroll Clerk for her records.

Each building's secretary will enter the requested time off in the Attendance Field in NVision (vacation, personal, sick and other excused absences). The Superintendent's Secretary maintains an administrative calendar that details when administrators will be out of the District and for what reason. A report of vacation, personal and sick days carried forward, accrued, used and days remaining at the end of each year is placed in each employees personnel file by the Payroll Clerk. PTO availability is also reported on pay stubs.

Health Insurance:
The District uses ~~the Erie 1 BOCES (NY44 Heath Benefits Trust)~~ **Blue Cross/Blue Shield (BC/BS)** for their health insurance. There ~~is only 1 plan~~ **are 4 plans** offered. Vision and prescription benefits are included in the health plan. The plan is offered for singles, employee/spouse, employee/children and family. Dental benefits are also offered to employees through either Delta Dental ~~or the NY44 Health Benefit Trust~~. The employee's portion of the premium is outlined in each bargaining unit's contract.

Open enrollment is May 1-31st, the Benefit Administrator/Personnel Secretary will send a letter to all employees outlining the employee's benefits and the new rates. If employees choose to change their insurance, they must notify the Benefit Administrator by May 31st.

Health insurance benefit rates are updated in NVision by the Benefit Administrator and the Payroll Clerk will input the amounts for the employee appropriate coverage into NVision for the payroll deduction. The Benefits Administrator maintains an Excel spreadsheet that is used to calculate the employee's and District's portion of the premiums from the total premium. She compares her spreadsheet to NVision to ensure the rates are accurate. She also uses the spreadsheet to ensure the bill from the insurance company is accurate and to ensure employees are appropriately added or deleted.

Retiree Health Insurance:

Retirees have the option to continue with their coverage upon retirement but they are responsible for paying 100% of the premium. They will submit their check made payable to Lewiston-Porter CSD to the Benefits Administrator each month. When a retiree reaches the age of 65 they must have Medicare Part A and B to continue coverage through the District's carrier.

A separate spreadsheet is maintained of all retirees and their premiums. A letter is sent to the retiree if their premium is not paid along with detail on the payments made to date and the amount due.

403B:

Employees have the option of contributing to a 403b Plan, which is administered by the OMNI Group. The employee completes an application on-line including the percentage they want withdrawn every paycheck. Once OMNI receives the application, they will input the employee's information into their system and send an OMNI Changes/Approved Report or confirmation to the Payroll Clerk, listing the effective date, employee name and social security number, fund name, percentage of salary to be deducted, and the maximum amount they are allowed to contribute for the year. The Payroll Clerk will input the information to NVision to begin the deductions. After every payroll, a detailed 403b Deduction Report is generated from NVision indicating the amount withheld from employee's paycheck. The Payroll Clerk agrees the detailed report to the NVision Payroll Deduction Report to ensure they agree. Once they agree, the detailed report is sent to OMNI through a secure website. The District Treasurer will complete an ACH withdrawal from the District's bank account for the amount shown on the report and remits the funds to OMNI. The District Treasurer will print a copy of the wire and subsequently verify the transfer against the bank statement.

Flex Spending and Health Savings Accounts:

The District offers flexible spending accounts for dependent care and health care expenses. The plan is administered by P & A Administrative Services who monitors contributions, claims, and payouts. The employees complete an application and submit it to the Benefits Administrator with the amount they want deducted from each paycheck. The Payroll Clerk will submit a list to P & A Administrators of all participants and the total amount to be withheld. She inputs the amounts to NVision based on the total amount they want put in the account over a determined number of pay periods. As the amounts are withheld from the employee's pay, they are wired to P & A Administrators. The Payroll Clerk emails a detailed report to P & A Administrators with the amounts withheld from every employee. The employee can use their flex card, complete a claim form (which can be obtained on-line) or submit their claim on line to be reimbursed for their expenses.

The claim form and receipts are submitted to P & A Administrators to determine if they are appropriate. P & A Administrators will review and "reimburse" the employee. These plans run from July 1 to June 30th. The employee has until 60 days after year end to submit a claim. The Treasurer receives a report from P & A Administrators of any leftover monies. Unused funds are eventually transferred to the general fund.

ERS and TRS:
Employees complete an application to participate in the Employee Retirement System (ERS) or the Teacher Retirement System (TRS) and forward to the Payroll Clerk. The Payroll Clerk sends the applications to ERS or TRS and receives a notification as to when the payroll deductions can begin. Once the information has been input to NVision, monthly reports are sent to ERS/TRS of employee contributions. ERS will complete an electronic withdrawal from the District's bank account on a monthly basis for the employee's contributions and then invoices the District at the end of the fiscal year for the District's portion of contributions for the year. TRS will subtract the employee's and the District's portion of the contributions from state aid received throughout the year.

GENERAL LEDGER MAINTENANCE

General ledger activity is updated frequently to ensure the accounting system, NVision, contains information that is accurate and current so it may be relied upon to make financial decisions. General ledger activities (i.e., journal entries and bank reconciliations) are segregated from cash disbursement, and payroll activities.

General journal entries are entered by the Treasurer. All journal entries are printed and maintained in a binder with the related back-up information. The Assistant Superintendent for Administrative Services reviews and signs-off on all journal entries maintained in the binder on a monthly basis.

All bank statements are received by the Assistant Superintendent for Administrative Services, reviewed, then forwarded to the Treasurer for reconciliation and preparation of the Treasurer's report. The Treasurer generates reports of all cash receipts, disbursements, journal entries and trial balance reports. Using these reports the Treasurer prepares the bank reconciliation and treasurer's report. The Treasurer also agrees the bank reconciliation to the general ledger. The Treasurer also prepares a summary report for the Board, which is signed by the Board and forwarded to the Board Clerk. Accounting periods are generally closed within 10 days of the end of the month.

Budget transfers are initiated by the Supervisors. The Supervisors complete a transfer request form which is approved by the Assistant Superintendent for Administrative Services and Superintendent. The form is then forwarded to the Treasurer who completes the transfers in NVision as needed. The Superintendent has been given Board approval to approve all budget transfers not in excess of $10,000.

The Board is provided with a treasurer's report, appropriation status report, revenue status report, warrants, and budget transfer report on a monthly basis.

WIRE TRANSFERS

~~Individuals involved in the ACH transfer process are the Treasurer and the Payroll Clerk. Transfers between District accounts at Key Bank can be issued and released by the Treasurer.~~ Transfers to outside entities include debt service payments, 403B withholdings, State and Federal withholding taxes, ERS and some vendors. The Treasurer or Payroll Clerk receives an invoice and initiates the transfer. Wires are released by either the Treasurer or Payroll Clerk (whoever did not initiate it). The Treasurer and Payroll Clerk are the only ones that can give approval to the Bank for wire transactions.

Transfers between District accounts can be initiated and released by the Treasurer. **The District subscribes to ACH positive pay as an additional fraud mitigation initiative.**

FIXED ASSETS

The District uses Industrial Appraisal, a vendor fixed asset inventory system that is also used to calculate depreciation on the related assets. The District has procedures in place for the addition and deletion of assets to the fixed asset inventory system. All assets with a cost value in excess of $5,000 and high risk assets with a cost value in excess of $500 are tagged as property of the District and added as an inventory asset in Industrial Appraisal. Assets with a cost value in excess of $5,000 are depreciated.

Fixed asset additions and disposals are reported to Industrial Appraisal annually. Industrial Appraisal inventory reports are reviewed to ensure all assets have been properly added and deleted. Disposal information is provided by the departments in custody of the asset via an asset removal form. Industrial Appraisal performed a complete inventory in December of 2016. The District performs annual inventory on items more susceptible to misappropriation (i.e. computers, calculators, uniforms, sporting goods, etc.).

FUEL DEPOT

The District maintains two 300 gallon tanks, one unleaded and one diesel and both are above ground and are in the same location at the Intermediate School. **The District also has a 3,000 gallon diesel tank at the bus garage**. Access to fuel **at the Intermediate School** is safeguarded by use of Master Lock and access is limited to grounds personnel, district courier and the Director of Facilities.

A manual log is kept in the building and grounds garage and is updated with the date, gallons pumped and initials of the person using fuel depot. Also included are fuel tank readings which are taken periodically and reconciled to the log. The log is maintained by the building and grounds clerk. Refueling generally occurs during business hours. The District takes a reading of tank volume before and after refuel.

The tank at the High School is a cost sharing tank located at the end of campus that is controlled by ~~Ransomville Bus Lines~~ **Student Transportation of America**.

The District outsources its transportation to ~~Ransomville Bus Lines (Ransomville)~~ **Student Transportation of America (STA)**. ~~Ransomville provides transportation services to Lewiston-Porter as well as another school district. Both districts are responsible for purchasing fuel for the fuel depot at Ransomville's headquarters. Ransomville maintains records of the mileage driven for both school districts. Generally each district will alternate the fueling of the depot at their headquarters. Then there is a true-up at the end of the year~~. **Per the contract, the District will provide STA "with the fuel necessary for the live miles in the direct performance of the transportation required" by the contract. The District pays for 1 gallon of diesel fuel for every 6 route miles and 1 gallon of unleaded fuel for each 12 route miles (8-29 passenger vehicle) or 20 route miles (5-7 passenger vehicle). The District calculates the fuel usage for the year based upon their standard bus runs. Once the District has reached their maximum fuel usage amount, STA will start paying the fuel bills directly. At the end of the year, the District and STA will perform a final reconciliation of fuel. Fuel for field and sports trips are not provided for under the contract. The Fuel usage for these events is tracked separately and will be included in the reconciliation at the end of the year.**

Information Technology

The District's IT Department has recently reviewed access rights for individual users of the District's network and made the appropriate changes. Network passwords are changed annually and the system locks users out after 3 unsuccessful login attempts, at which point the user will have to contact the service desk. Users are logged out of the network after 15 minutes of inactivity.

The NVision software is designed specifically for school districts and other governmental entities and appears to be a strong accounting tool. The District has been using the software for approximately 9 years and has found it to be capable of handling the District's accounting and business functions. Employees appear to be adequately trained and vendor support is available when needed. It is a networked system and all locations have access to the system. The NVision server is located at Erie 1 BOCES and is equipped with data intrusion software. Erie 1 BOCES performs a nightly back up.

Access rights are assigned by the Payroll Clerk with the approval of the Assistant Superintendent for Administrative Services. Passwords to NVision are changed every 90 days. NVision locks users out after 3 unsuccessful login attempts, at which point the user will have to contact the Payroll Clerk. The system goes into sleep mode after 2 hours of inactivity.

The District uses Power School Student Management System. Passwords to Power School are not required to be changed periodically but the system locks users out after 5 unsuccessful login attempts, at which point the user will have to contact the Service Desk. The system goes into sleep mode after 15 minutes of inactivity.

All systems are backed up by the BOCES as part of their contract services agreement.

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Internal Audit Plan

The Internal Audit Plan summarized below, illustrates the detailed yearly plan estimated to complete the Internal Audit Strategy outlined in the *Business Area Risk Assessment and Internal Audit Strategy* section of this report.

The shaded areas denote the internal audits that were performed during the year 2017. **No internal audits were conducted prior to 2017 or in 2018 or 2019.**

Business Area	2017	2020	2021	2022
Lines of Business				
Budgeting, Governance, and Reporting				
State Aid				
STAC Processing				X
Medicaid				
Grants				
Centralized Cash Receipts				
School Lunch Cash Receipts				
Purchasing and Cash Disbursements				
Payroll			X	
Health Benefits and Paid Time Off (Attendance)	X			
General Ledger Maintenance				
ACH Transfers				
Fixed Assets				
Fuel Depot				
Information Technology				
Information Technology		X		

The above schedule represents the District's three year internal audit plan based on the risk assessment results identified in this report with only one internal audit performed each year. The District is required to perform a reassessment of risk on an annual basis. The results of the annual reassessment will be the basis for identifying internal audit priorities and determining the internal audit plan in future years.

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APPENDIX - RISK CATEGORY DEFINITIONS

INHERENT RISKS

EXTERNAL/MARKET REPUTATION

Negative Publicity – The risk of public disclosure of operations will negatively influence public perception that impacts the District's ability to pass a budget and meet its strategic objectives.

FINANCIAL

Achieving Financial Goals – The risk that the District will be unable to meet their financial goals and be pressured by the Board or management to take unwise or inappropriate actions to report results which meet market expectations.
Materiality – The risk that any financial reporting activity will misrepresent results by an amount that would reasonably change voter or other external third party assessments of the District's performance.
Volatility – The risk that financial reporting will be inaccurate, incomplete or untimely.
Use of Significant Estimates – The risk that financial reporting activity will misrepresent actual business results due to heavy reliance on estimates, accruals, adjustments or reserves that are subjective and difficult to accurately quantify and/or associate with the occurrence of business events.

OPERATIONAL

Inefficient/Ineffective Internal Controls – The risk of inadequate or poorly designed internal controls and accountability.
Employee Error – The risk of unintentional errors by employees due to a lack of competence or training or unfamiliarity with policies and procedures.
Inappropriate Data Usage – The risk of the misuse of sensitive or confidential information by employees or other outside parties.
Non-Routine/Complex Transactions – The risk that incorrect or inconsistent handling of infrequent or complex activities could cause inconsistent financial reporting.
Compliance with Policies and Procedures – The risk that staff responsible for executing business activities will fail to comply with the District's policies and procedures, whether due to lack of training, failures of communication or mindful disregard.

LEGAL/REGULATORY

Legal and Economic Impacts – The risk of direct or indirect impact on activities from changes in the regulatory environment.
Unresponsive to Legal/Regulatory/Compliance Changes – The risk that the District is unaware of or does not respond to changes in laws and regulations to ensure compliance.
Litigation Issues – Lawsuits can result in expensive settlements, litigation costs and corrective action (e.g. employee/customer litigation, contract/fiduciary liability, etc.).

STRATEGIC

Insufficient or Inadequate Strategic Planning – The risk that an inefficient and ineffective strategic planning process, including poor assumptions, results in the District's inability to meet their goals and objectives.
Lack of Appropriate Governance – The risk that senior management or Board members commit actions that are detrimental to voter's' interests, including misrepresenting the District's intentions or business results.
People or Key Resources – The risk that barriers (e.g. high turnover, inexperienced staff/skill limitations, excessive reliance on a key staff member, insufficient staffing/resources, etc.) can increase business risk impact and likelihood of its occurrence.
Organization Reputation – The risk that the District's reputation could be exposed based on lack of voter satisfaction with services, or ability to provide new and innovative educational programs; negative public reaction due to identified regulatory, compliance or legal issues.

TECHNOLOGY/SYSTEMS

Lack of Information Integrity – The risks associated with the authorization, completeness, timeliness and accuracy of transactions/data as they are entered into, processed and reported by various systems.
Lack of Timely, Reliable, and Relevant Information for Decision Making – The risk that relevant internal and external information necessary for decision making is not available on a timely basis and/or is unreliable.
Inadequate Data Security and Access – The risk of not adequately restricting access to and protecting information.
Sensitivity of Data – The risk that the District will divulge, inappropriately use or fail to control student or employee data which is confidential or private.

PEOPLE/CULTURE

Lack of Clear Roles and Responsibilities – The risk that roles and responsibilities are not clearly defined, communicated, and understood by employees.
Deficient Values, Integrity, and Ethics – The risk of an employee breach of District values and Code of Conduct standards related to integrity, ethics and discrimination.
Inappropriate Performance Incentives – The risk of either insufficient performance incentives or incentives that are unrealistic or misunderstood causing employees to act in an inappropriate manner.

FRAUD

Misappropriation of Assets – The risk that the District engages in external and/or internal schemes, such as embezzlement, payroll fraud and theft.
Misconduct/Abuse – The risk that transactions or activities could be susceptible to management override (e.g. conflicts of interest, code of ethics violations, etc.). District could be directly or indirectly involved in monitoring and identifying misconduct and/or abuse.

External Crime – The risk that activities could be exposed to external theft and destruction (e.g. robbery, asset/information theft, etc.). District could be directly or indirectly involved in monitoring and identifying external crime.

External Fraud – The risk that transactions and activities could be exposed to external fraud (e.g. check frauds and kiting). District could be directly or indirectly involved monitoring and identifying external fraud.

COSO CONTROL RISKS

Monitoring – This category includes identifying a mechanism or process to assess internal controls on an ongoing basis to ensure that changes are incorporated effectively.

Information and Communication – This category includes the assessment of the technology environment and includes an assessment of the reporting internally and externally. The internal communication to manage the business on a daily basis is assessed to determine the effectiveness and reliability of the financial information that is used.

Control Activities – These controls are at the process level and include preventive and detective controls. The assessment for control activities requires a selection of key processes and a review of the transaction flow to identify and test the critical controls to determine the effectiveness.

Risk Assessment – These controls are the overall management and strategic planning methods that are in place. The process for strategic planning for the District and each department and how the plan is executed during the year is the subject of this review. Material changes in the legislation or regulations and the process that management performs to execute a transaction will be assessed.

Control Environment – The controls in this category include integrity/ethical values, code of conduct, disciplinary action, structure of organization, involvement of the Board of Education, human resources and other actions that control the tone of the organization.