

Corrective Action Plan - REVISED
Lewiston Porter CSD
Internal Risk Audit - March 26, 2024

General Operations

- ❖ The District does not have formally documented procedures for various functions throughout the District (e.g., payroll, general ledger maintenance, cash receipts, etc.). Due to the changes in personnel and turnover in the District Office, the District should develop procedural documentation for all positions in the District Office. The procedures can then be used for training new staff or as a reference for backup staff. We recommend that the District develop and document procedures for all critical functions in the event an employee leaves unexpectedly or is unable to perform their job function.

Management Response: The District is currently working on developing procedures for all positions and related duties in the District Office. This includes identifying, reviewing, and reassigning duties accordingly to adhere to best practices, create efficiencies, and allow for cross training. The District also has created and implemented procedures for incoming cash and checks as of June 1, 2024.

Responsibility: Assistant Superintendent for Administrative Services and Business Office Staff
Timeline: **October 1, 2024**

STAC Processing

- ❖ Freed Maxick noted the District has retained a consultant to perform the STAC process. With the existing process, the consultant communicates verbally or via email with the Director of Special Education and/or the Assistant Superintendent for Administrative Services regarding any questions, updates, or issues noted while performing the process. Freed Maxick recommends the District request a formal quarterly report from the consultant of the duties, findings and recommendations, or recommends having a quarterly meeting with the consultant to ensure communications are consistent and the process is being adequately monitored by both the consultant and the District. This process has not yet been implemented.

Management Response: The Assistant Superintendent of Administrative Services and Director of Special Education have decided to stay with the current consultant for the 2024-25 school year and will request more formal quarterly reports in effort to monitor the process and efforts. This will allow time to fully understand the current process and make suggestions for improvement. Other possible vendors may be considered for the following year.

Responsibility: Assistant Superintendent and Director of Special Education
Timeline: **July 15, 2025**

Purchasing

- ❖ During our interviews with District personnel, it was expressed that while the District has documented purchasing policies and procedures, there is a general lack of adherence to the policies and procedures among the District employees. There has been a consistent disregard for following the District purchasing policies. Employees have purchased goods without authorization and submitted a claim form for reimbursement, employees have had goods delivered to their personal residences instead of the District addresses, and requisitions have been submitted after receiving the goods or services. We recommend the District immediately communicate with all employees the proper procedures for purchasing. Additionally, the department supervisors should be responsible for knowing the District's purchasing policies and confirming their department is following those procedures. This issue should be addressed at all levels and should not have risen to the level of the Purchasing Agent without being addressed by supervisors.

Management Response: The Assistant Superintendent for Administrative Services met with the Accounts Payable Clerk to better understand and review examples of what is stated above. In addition, other non-compliant and inappropriate practices were also identified. All staff who make or approve purchases for their building or department will receive communication regarding established policies and procedures. In early July 2024, a memo was shared with all clerical staff prior to opening the new year for Purchase Requisitions to be entered. An in-person meeting has been scheduled for all clerical staff who process orders. Once required procedures are presented to clerical staff, there will be a meeting held for building administrators and department heads to share the same information and process moving forward. This will be an ongoing effort that will be monitored.

Responsibility: Assistant Superintendent, Accounts Payable, clerical staff, department heads, and building administrators.

Timeline: **Completed July 2024**

Internal Claims Audit

- ❖ During our interviews with the Purchasing Agent, he noted that the Internal Claims Auditor for the District does not appear to be familiar with the purchasing policies of the District. In order to effectively discharge their responsibilities, we recommend the Internal Claims Auditor review and become familiar with the District's purchasing policies and design their procedures around these policies. We further recommend the Internal Claims Auditor attend periodic training with regards to the auditing of district claims. Additionally, SED produces a "Claims Auditor, Internal Audit Function and Audit Committee" handbook for suggested audit processes that the Internal Claims Auditor and Audit Committee review and implement.

Management Response: The Assistant Superintendent of Administrative Services plans to meet with the Internal Claims Auditor to discuss appropriate responsibilities and assess the

performance of the Internal Claims Auditor. There is training that will be made available and suggested to the ICA to attend. The Assistant Superintendent of Administrative Services is also recommending that the Internal Claims Auditor meets with the Audit Committee and Board of Education once a year.

Responsibility: Assistant Superintendent and Internal Claims Auditor

Timeline: July 15, 2025

Payroll/ Human Resources

- ❖ Freed Maxick noted that the Payroll Specialist does not receive hourly employees' timesheets to compare employee hours worked to the time input into NVision by building secretaries. Currently, the Payroll Specialist only reviews the hourly employees' time in NVision for reasonableness, but cannot confirm the data input is complete and accurate. We recommend that all timesheets for all employees requiring timesheets be provided to the Payroll Specialist each pay period for monitoring time entry.

Management Response: The District will mandate that all signed timesheets be submitted to the District Payroll Office once approved by the Direct Supervisor. Further, all timesheets will be maintained with each payroll packet for that specific period.

Responsibility: Payroll Specialist, district clerical employees

Timeline: Completed July 2024 and will be monitored for compliance

- ❖ Freed Maxick noted there is a lack of adequate documentation available to the Payroll Specialist for verifying a substitute's hours worked. Currently, building secretaries enter substitute hours worked into an excel spreadsheet for reporting to payroll. The Payroll Specialist reviews the teacher absence report for confirming the substitute's time to the excel spreadsheet. The excel worksheet does not provide adequate details regarding the substitutes' hours worked, teacher/ position the substitute is covering, or the location. We recommend the Payroll Specialist be provided view only access to the Frontline system, used for tracking absences and substitute positions, for the purpose of verifying the hours worked by substitutes.

Management Response: The Assistant Superintendent of Administrative Services will authorize viewing access for the Payroll Specialist in Frontline in order to verify hours worked by substitutes in the District.

Responsibility: Assistant Superintendent

Timeline: Completed August 2024

- ❖ Freed Maxick noted that the timing of payments for annualized/ salaried employees' payroll can potentially lead to overpayment of payroll for contractual services if an employee leaves the District without notice or is terminated by Human Resources without communication to Payroll. The payment for annualized/ salaried employees occurs bi-weekly, consisting of the one week up to the pay date that was worked and the following week to be worked. In cases where an employee quits or is terminated on a payroll week, there is a chance that employee will be overpaid for the following week which they will not have worked. We recommend the District review this practice and consider adjusting the payroll payment schedule for annualized/ salaried employees to include only time worked through the pay date.

Management Response: The District will be reviewing the overall payroll schedule for all employees and will communicate with all union and non-union employees regarding the importance that employees be compensated for their time worked and never be pre-paid for services not yet delivered. There will be an effort to resolve in its entirety for the 2025-26 school year, as more time is needed to review and create a corrective action plan.

Responsibility: Assistant Superintendent and business office staff

Timeline: July 1, 2025

General Ledger

- ❖ Freed Maxick noted that there is no review of the journal entries prepared and posted by the District Treasurer. We recommend a report of all general ledger entries posted for the month be reviewed for any irregularities or unusual entries by an individual who is responsible for overseeing the activities of the District Treasurer. The review should subsequently be documented on the report and filed with all the documentation supporting the journal entries.

Management Response: Through the work of the Interim Treasurer and Assistant Superintendent of Administrative Services, many irregularities have been identified that appear to have been "corrected" with a journal entry. This is still a work in progress as the District continues to research and trace each entry and reconcile. Moving forward, a list of monthly journal entries will be prepared for review by the Assistant Superintendent for Administrative Services and part of the monthly financial packet.

Responsibility: District Treasurer and Assistant Superintendent

Timeline: Completed July 2024

- ❖ Currently, the District Treasurer has the ability to re-open accounting periods within NVision that have been previously closed. Freed Maxick noted that there is no

communication or approval of re-opening accounting periods within nVision. We recommend that the ability to re-open an accounting period be limited to someone independent of the District Treasurer and only upon approval by the Assistant Superintendent of Administrative Services.

Management Response: A new Treasurer has been hired and began with the District on July 15, 2024. The Interim Treasurer and Assistant Superintendent of Administrative Services will be onboarding the new Treasurer. All accounting periods will be pre-approved, and direction will be given to a business office employee other than the Treasurer should an accounting period need to be re-opened after closing.

Responsibility: District Treasurer and Assistant Superintendent

Timeline: Completed July 2024

- ❖ The accounting periods within nVision have not been closed by the District Treasurer since May 2023. We recommend that all past accounting periods be closed immediately within nVision. We further recommend that accounting periods be closed within 30 days of the end of the month.

Management Response: The Assistant Superintendent of Administrative Services has been reviewing and working with the Interim Treasurer to identify the issues. All previous accounting periods needed to be corrected and reconciled. This continues to be addressed. April Financials were delivered to the Board of Education and the District is working diligently during the close of the 2023-2024 school year to be prepared to commence the annual audit.

Responsibility: District Treasurer and Assistant Superintendent

Timeline: Completed June 2024

- ❖ The Assistant Superintendent of Administrative Services reviews the Treasurer's report prepared by the District Treasurer monthly. Due to errors identified within the Treasurer's report, the Assistant Superintendent of Administrative Services has not approved or submitted the Treasurer's report to the Board since December 2023. We recommend the errors identified in the previous Treasurer's reports be addressed and corrected, all Treasurer reports be resubmitted to Assistant Superintendent of Administrative Services for their review and approval and then submitted to the Board for their review and approval.

Management Response: The new Assistant Superintendent of Administrative Services is working to identify all errors within the General Ledger process area and will correct and close out each month when the data is corrected and credible.

Responsibility: District Treasurer and Assistant Superintendent

Timeline: October 1, 2024

- ❖ Freed Maxick noted that the password to access the Treasurer's signature that is hard coded in nVision is not changed on a regular basis. The password to the Treasurer's signature in nVision does not have complexity, including special characters, or lock out parameters in the case of several failed attempts. According to the NIST Password Parameter Guidelines, passwords should be changed at least every 180 days in instances where complexity is not enabled and lock out of the account after failed attempts cannot be attained. We recommend the District change the password for the Treasurer's signature every 180 days or in instances where there is turnover in the positions able to access the signature.

Management Response: The District has hired a new Treasurer who began on July 15, 2024. With the implementation of the Treasurer's signature, nVision will be consulted about best practice for passwords. The Assistant Superintendent of Administrative Services created a signature upon her arrival in May 2024 through Erie 1 BOCES that will remain on file. This will allow for access as a backup should there be a turnover in the Treasurer's position.

Responsibility: District Treasurer and Assistant Superintendent

Timeline: Completed July 2024

- ❖ Freed Maxick noted that within the banking website, vendors paid by ACH transfer are not set up in the system for recurring ACH payment. The banking website allows for entities to create payment templates in the ACH platform for retaining payment details to recurring vendors. We recommend that all recurring vendors be added to the banking website using the payment templates available by the Accounts Payable Clerk who does not have the ability to initiate or release ACH transfers. All new vendors added should be reviewed for accuracy prior to the payment to the vendor.

Management Response: The Assistant Superintendent of Administrative Services is currently in the process of identifying all tasks and responsibilities for each District Business officer employee. There will be a re-alignment of duties, based on area of responsibility and segregation of duties. This will be in place prior to September 2024.

Responsibility: District Treasurer and Assistant Superintendent

Timeline: Completed August 2024 and will continue to be monitored

Fixed Assets

- ❖ Freed Maxick noted the District has not had a full physical inventory performed since 2018. Freed Maxick recommends that the District perform a complete physical inventory

of all fixed assets, either internally or using a third party every five years. Once completed, the District should compare the assets identified to the asset listing maintained by the outside vendor, make the appropriate changes, and confirm all assets are tagged with an identification number for subsequent inventories. Inquiries should be made for any discrepancies or missing assets.

Management Response: The Assistant Superintendent of Administrative Services will meet with the District's insurance carrier to receive an overview of all services and policies. This recommendation will be placed on a priority list and commenced as soon as feasible. Given the numerous issues stated in this report, there are other areas that will be given first priority.

The District annually updates the asset record of all physical inventory as part of the agreement with Industrial Appraisals. At the end of each school year, a review of all purchase orders is conducted, and items are flagged if they qualify to be inventories. Information regarding those items is submitted to Industrial Appraisals. Those items are then "tagged" by the District. Once the process is completed, the company delivers an updated binder that includes all fixed assets and depreciation. However, the District will inquire about a full physical inventory of all assets.

Responsibility: District Treasurer, Accounts Payable, Director of Facilities and Assistant Superintendent

Timeline: Meeting **Completed July 2024**

Information Technology

- ❖ As noted in the prior year's risk assessment, though employees responsible for IT function understand their role, responsibilities, and processes that are to be followed to ensure the District's IT functions operate properly, during our risk assessment we noted some process areas were not well documented and did not clearly communicate to employees responsible for IT functions management's expectation. Formally documented standards for various IT processes helps to ensure employees are aware of their responsibilities related to IT processes and management's intentions regarding implementing those responsibilities. Formal documentation for each IT process should exist. The following are areas where formal documentation could be improved:
 - o Remote Access Policy
 - o Termination Access Revocation Policy and Procedures

Freed Maxick recommends the District formally document all IT processes to the extent necessary to ensure employees responsible for IT functions understand their roles and responsibilities, have a consistent process to follow, and that the process that has been established is consistent with management's expectations. Once these policies and procedures are documented, they should be reviewed at least annually for any updates that are required.

Management Response: The Assistant Superintendent of Administrative Services will meet with the District of Technology to discuss, create, and implement a process that is consistent with best practices and management's expectations.

Responsibility: Director of Technology

Timeline: July 1, 2025

- ❖ As noted in the prior year's risk assessment, the District does not test their data backups on a regular basis to confirm the integrity of the backups. The District performs backups of nVision, Power School and the network on a daily basis. The backup process is monitored by BOCES and the Director of Technology, who receive daily reports of the backups and whether they were successful. It is imperative to test backups on a regular schedule to confirm the backups' integrity in case of an event requiring a backup to be used to restore the system. Freed Maxick recommends that full backups are tested for integrity at least once annually by the District.

Management Response: The Assistant Superintendent of Administrative Services will direct the Director of Technology to implement a set schedule to test the backup of all the District's network as well as the student data management system and accounting platform.

Responsibility: Director of Technology

Timeline: November 2024

OTHER MATTERS FOR CONSIDERATION

Information Technology – We noted during our risk assessment review that the District receives an annual IT Risk Assessment from Erie 1 BOCES, which is also responsible for maintaining the District's IT security and servers. This risk assessment service by Erie 1 BOCES could include potential conflicts of interests for the District's internal IT department to consider when relying on the Erie 1 BOCES Risk Assessment report. Potential conflicts of interest include increased incentive to identify non-existence or insignificant risks that Erie 1 BOCES could provide additional services to the District for, reduced transparency in the risks impacting the District if they relate to Erie 1 BOCES's other services, and the ability to downgrade significant risks to lower ratings as a means of artificially mitigating the risk. We recommend the District consider an external party, not involved in providing IT security, be contracted to perform the IT Risk Assessment to provide an independent report. Alternatively, the Director of IT and IT staff should review the Erie 1 BOCES risk assessment report with a critical eye and challenge risks identified or noted as mitigated when relating to services provided by Erie 1 BOCES.

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Management Response: The district is not in a financial position in the 24-25 academic year to incur any additional services for the upcoming year. The Director of Technology will be asked to review Erie 1 BOCES risk assessment report with a critical eye.

Responsibility: Director of Technology

Timeline: January 1, 2025

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 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.

Management Response: The Assistant Superintendent upon arriving in the district in May 2024 set up a procedure for receiving funds (See GENERAL OPERATIONS at top of CAP) which separated the duties involving payments to the district for ALL positions at district office.

Responsibility: Assistant Superintendent

Timeline: Completed May 2024

Corrective Action Plan (CAP)

For internal Risk Assessment - PAYROLL

February 21, 2024

Observation

1. **Incorrect Rate for Payroll (Certified Substitute):** During the review, we noted an employee was a certified substitute teacher and should have been paid the certified substitute rate, \$135/day, approved by the Board of Education on 7/1/2022. The employee was paid at the non-certified substitute rate of \$120/day for all days throughout the 2022-2023 school year, totaling nine (9) days for the school year. We determined the underpayment for this employee was \$135 total (\$15/ day for nine days). We confirmed this employee was set at the correct certified rate for the school year 2023-2024, but the employee had yet to work any days as of 2/7/2024.

Recommendation: Substitute teachers should be reviewed to confirm whether they are certified or non-certified and that the rate they are paid is correct per the Board approval for substitute rates.

Management Response: *The District will ensure that all employees are entered correctly into the NVision software upon appointment. This would include: proper certifications (certified or non-certified), payroll rates, etc. to ensure accurate payment. The only possible explanation for this error would be user or data entry error. The current Payroll Clerk has been properly trained on best practices.*

Responsibility: *The District will be more diligent in monitoring processes.*

2. **Incorrect Rate for Payroll (Overtime Rate):** During the review, we noted an employee was paid at the overtime rate, \$24.50/hour, for all regular hours reported on the 12/8/2022 payroll. The correct contracted rate for regular hours was \$16.336/hour. We determined the over-payment for this employee was \$344.93 for this payroll period, 12/8/2022.

Recommendation: Overtime pay should be captured in the Payroll Change Analysis report. The reviewer of this report, the Assistant Superintendent of Administrative Services, should scrutinize all overtime pay to confirm the overtime is reasonable and expected.

Management Response: *The District will ensure that all employees are entered correctly into the NVision software upon appointment. This would include: proper certifications (certified or non-certified), payroll rates, etc. to ensure accurate payment. The only possible explanation for this error would be user or data entry error. The current Payroll Clerk has been properly trained on best practices.*

Responsibility: *The District will be more diligent in monitoring processes.*

3. **Repeating/ Reused Check Numbers During the review of the payroll periods :**

10/27/2022 through 12/21/2022, we noted that roughly 135 check numbers were used as both direct deposit reference numbers on the 10/27/2022 and as physical check numbers for the following payroll period. The Payroll Clerk indicated there was an error within the payroll software, NVision, which assigned physical check numbers to direct deposits for the 10/27/2022 payroll. Because direct deposit check numbers are not true check numbers but merely reference numbers, there was no need to void the direct deposits and re-submit the payroll. The physical checks printed the following payroll period, merely appear to be repeating check numbers from the 10/27/2022 payroll.

Recommendation: The ability to overwrite or manually override the direct deposit reference numbers within the payroll module of NVision should be disabled, if active. Monitoring the check sequencing from NVision should also be performed and further issues with check sequencing reported to BOCES.

Management Response: *.It appears that this was simply a user error and the incorrect starting sequence number was utilized. A call to NVision at Erie 1 BOCES should have been made for technical assistance. The District recently confirmed that the ability to change the starting number cannot be enabled or disabled within NVision. However, the new Payroll Clerk since this incident has received proper training. Also, it is best practice to review the payroll change report and will continue moving forward.*

Responsibility: *The District will be more diligent in monitoring processes.*