



Freed Maxick CPAs, P.C.

NA-7

Lewiston-Porter Central School District

Risk Assessment and Internal Audit Plan

March 26, 2024

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Audit Committee
Assistant Superintendent for Administrative Services
Lewiston-Porter Central School District
4061 Creek Road
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 or Katelyn Crowley at 716-362-6281.

Sincerely,

Freed Maxick CPAs, P.C.

Freed Maxick CPAs, P.C.

Table of Contents

EXECUTIVE SUMMARY	3
RESULTS OF REVIEW OF INTERNAL CONTROLS AND CONFERENCE CALLS.....	5
CORRECTIVE ACTIONS TAKEN ON PREVIOUSLY REPORTED FINDINGS	10
RISK ASSESSMENT SUMMARY	11
INTERNAL AUDIT PRIORITIES	13
RISK ASSESSMENT NARRATIVE	14
INTERNAL AUDIT PLAN	26
APPENDIX - RISK CATEGORY DEFINITIONS.....	27

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 internal 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 2015, 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 CONFERENCE CALLS

The District has experienced turnover in the Assistant Superintendent of Administrative Services position during the 2023-2024 school year with a total of three different individuals being in the position. The current Assistant Superintendent of Administrative Services started May 22, 2024, after the risk assessment was performed, and she is currently working to remediate the findings below and will prioritize the findings they deem most important. The management responses below reflect steps the District has already made to correct the findings and the District's commitment to continuous improvement.

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.*

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.*

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.*

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.*

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.*

- ◆ 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.*

- ◆ 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.*

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.*

- ◆ Currently, the District Treasurer has the ability to re-open accounting periods within NVision that has 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.*

- ◆ The accounting periods within nVision have not be 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.*

- ◆ 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 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.*

- ◆ 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.*

- ◆ 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.*

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.

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:
 - Remote Access Policy
 - 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.*

- ◆ 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.*

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.

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.

CORRECTIVE ACTIONS TAKEN ON PREVIOUSLY REPORTED FINDINGS

Payroll – Previously, the District had been the victim of a direct deposit fraud incident that caused loss of funds to a fraudulent bank account as a result of accepting direct deposit changes via email. The District now only accepts requests for new authorizations and changes to direct deposit forms in person at the District Office.

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	M	L	S	M	S	S	S	240	6	221
State Aid	L	H	M	L	L	L	H	L	S	S	S	S	M	280	4	224
STAC Processing	L	L	L	L	L	L	L	L	M	S	S	S	S	222	8	222
Medicaid Billing	L	L	L	L	L	L	L	L	S	S	S	S	S	200	16	200
Grants	L	L	L	M	L	L	L	L	S	S	S	S	S	212	13	225
Centralized Cash Receipts	L	L	L	L	L	L	M	L	S	S	S	S	S	213	10	200
Community Ed Cash Receipts	L	L	M	L	L	L	L	L	S	S	S	S	S	210	15	210
School Lunch Cash Receipts	L	L	L	L	L	L	M	L	S	S	S	S	S	213	11	200
Purchasing and Cash Disbursements	L	H	H	L	L	L	M	L	W	S	S	S	W	341	1	237
Payroll Processing	L	H	L	M	L	L	M	L	M	S	M	S	M	314	2	275
Employee Benefits and Paid Time Off	L	M	L	L	L	L	L	L	S	S	S	S	S	212	14	212
General Ledger Maintenance	L	L	H	L	L	L	H	L	M	S	M	S	M	311	3	210
Wire Transfers	L	L	L	L	L	L	M	L	S	S	M	S	S	236	7	223
Fixed Assets	L	L	L	L	L	L	L	L	M	S	S	S	S	222	9	200
Fuel Depot	L	L	L	L	L	L	M	L	S	S	S	S	S	213	12	200

RISK ASSESSMENT SUMMARY (CONTINUED)

	Inherent Risk Factors								Control Risk Factors					Current Year Risk Score	Current Year Rating	Prior 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.			
Risk Factors>>> (Definitions of the Risk Categories can be found in the Appendix)																
Information Technology	L	L	L	L	L	L	L	L	M	S	M	S	S	245	5	245

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:

- ◆ Purchasing and Cash Disbursements – Due to the inherent risks and the control risks associated with purchasing and cash disbursements, 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.
- ◆ Payroll Processing – Due to the financial and inherent risks associated with payroll for school districts in general, this area has been identified as an area of higher risk within the District. We will test 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. This area was tested in 2024.
- ◆ General Ledger - Due to the control risks associated with unauthorized access to the District's general ledger and lack of monitoring of general ledger activities, this has been identified as an area of higher risk. We will review general journal entries prepared by management to verify that they have a business rationale, are supported by appropriate documentation, and are approved by supervisory management.
- ◆ State Aid – Due to the financial, operational, and control environment risks associated with state aid, this area has been identified as an area of higher risk. 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.
- ◆ 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 include internal and external vulnerability assessment with penetration testing. A vulnerability assessment with penetration testing was performed in 2021.

RISK ASSESSMENT NARRATIVE

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 bi-annually 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. **Assistant Superintendent for Administrative Services uses the Budget module within NVision and confirms the history of spending of specific budgets and compares any variances (over/ under).**

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 policy and Code of Ethics policy. The District has adopted a whistleblower policy also. 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 continuously reviewing and updating their policy manual **and subscribes to the policy services offered through Erie 1 BOCES. The District receives notifications from BOCES if there are new developments that may affect the current policies in place or if new policies need to be implemented.**

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. Aid scheduled to be received is calculated using the Questar State Aid management tool. 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 the services to be provided and the frequency of the service.

As of the 2022-2023 school year, the District outsourced this process to a third-party provider, School Aid Specialists LLC. The Director of Special Education oversees the third-party provider and is presented with updates and/or questions periodically.

Students are identified as a possible student with a disability by 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 third-party provider reviews the cost calculations prepared by the special education secretary to verify it includes all services provided to the student and related costs. The third-party provider 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 third-party provider monitors the Gold Star Report and report of unverified students to ensure all STACs have been submitted and approved by the State Education Department. The Director of Special Education also monitors all reports.

The following year, the third-party provider completes the AVL based on updated cost information received from the District and BOCES for all students. The CSE office reviews the AVL prior to submission to the STAC Unit.

MEDICAID

The District uses a consultant to process Medicaid claims. The consultant is generally at the District every two or three months.

The CSE Director and Medicaid Consultant are aware of the Medicaid requirements, including the documentation requirements and timeframes for maintaining information (6 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 Consultant then sends out consent letters 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 in Medicaid Direct by the consultant. For transportation, the costs must be obtained and detailed on a monthly basis.

Once all 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 CSE 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 semi-annually, depending on the employee status (i.e. working full time or part time in the grant program). The Payroll Specialist monitors the completion of payroll certifications.

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

Additionally, the District has received ESSER and GEER funds as part of the American Rescue Plan (ARP) funding. These grants require additional monitoring and reporting which is performed by the Assistant Superintendent for Business, CSE Director, and Treasurer. Meetings are held to assess the progress of initiatives and where the District is with the budget. Any necessary adjustments/ amendments are discussed and made. Budget for the spending is maintained on the District's website.

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 the 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 properly dated. All payments are input into the SystemEast tax collection software by the Tax Collector, restrictively endorsed and prepared for deposit. The Tax Collector reconciles the daily cash receipt report from nVision to the amount entered in SystemEast. 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 **maintains a log of the payment and then forwards the checks to the District Treasurer for recording on the cash log and with a cash receipt. The District Treasurer then forwards the cash receipt and checks to the Accounts Payable Clerk who prepares the bank deposit.** ~~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 Specialist~~ **Accounts Payable 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 in nVision. All cash receipts are locked in a bank bag and deposited daily.

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

~~The Assistant Superintendent for Administrative Services receives bank statements unopened.~~ **The Treasurer obtains the bank statements from the banking website.**

Cash receipt function is segregated from the cash disbursement function. Revenue is monitored on a consistent basis by management.

COMMUNITY EDUCATION CASH RECEIPTS

The District implemented a Community Education program in 2018. Students can register for the programs during two sessions (Winter/Spring and Fall) in person, by mail, or online. Cash, checks, and debit/credit card payments are accepted. Online registrations are submitted through Coursestorm. Registrations and cash receipts collected by the District are counted by the Community Education Secretary and Director of Education and they will make a tape of the checks and cash to compare to the registration forms received. These registrations are entered into Coursestorm by the Community Education Secretary. Cash and checks are deposited by the District Treasurer at least weekly. Coursestorm is also used for tracking registration for courses and rosters are emailed to instructors before the course begins. Instructors take attendance and give attendance reports to the Community Education Department. Registrations and rosters are tracked for reconciliation purposes.

Instructors submit vouchers to the District for payment.

If the class does not meet minimal enrollment requirements, the class is cancelled, and registration fees are refunded in full. If the refunds are needed via cash or check, the Community Education Secretary will file a claim form with the original registration form attached and the Director of Community Education will sign the form and send to the District Treasurer for refund. If the payment was by debit/credit card, the payment will be refunded through the online portal, Paymentech, by the District Treasurer.

At the end of the session, the Community Education Secretary prepares a departmental report showing the number of participants per course area, dollar amount received, course expenses and the related profit/loss for each course. that is reviewed by the Director of Community Education. Once a year, the report is given to the Board of Education.

SCHOOL LUNCH CASH RECEIPTS

School lunch cash receipts consist of cash, checks and on-line payments through MySchoolBucks.com. 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 Mail Clerk.

Cash drawers are reconciled daily 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 in nVision.

The Building Team Leader reviews all voided transactions daily 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 daily.

PURCHASING AND CASH DISBURSEMENTS

Most of the District's purchase are off State Contracts, County (piggyback) or BOCES bids. Requisitions are submitted by employees primarily for supplies, conferences, contractual expenditures or other purchases that can be planned. 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. One copy is emailed or faxed to the vendor then is retained by the Accounts Payable Clerk including the confirmation of receipt, 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, 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 business days closest to the **1st and the 15th** of the month by the Accounts Payable Clerk. The Accounts Payable Clerk has access to the Treasurer's signature on a file on the shared 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 checks and the final warrant. The Treasurer's signature is maintained in nVision and is password protected. The Accounts Payable Clerk has access to the Treasurer's signature for the purpose of printing checks. 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 Specialist will add all new employees including completing an onboarding checklist, and the Payroll Specialist will process payroll and make any necessary changes to the payroll records once the employee is in the system. The Payroll Clerk can also add new employees if needed, and the Personnel Specialist will review any employees added by the Payroll Clerk for accuracy and completeness. The Personnel Specialist 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 Specialist 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 Specialist 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 Specialist for accuracy, the Payroll Specialist 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 Treasurer's signature is maintained in nVision and is password protected. The Payroll Specialist has access to the Treasurer's signature for the purpose of printing checks.

The Payroll Specialist submits the annual payroll file to BOCES who prints the W-2s for the employees of the District. The Payroll Specialist will then submit the annual payroll file to the IRS in the beginning of January each year.

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 written request or submit notification to their supervisor for their approval. Some buildings use formal written requests and some are email. Requests are approved by the employee supervisor.

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 employee's personnel file by the Payroll Specialist. PTO availability is also reported on pay stubs.

Health Insurance:

The District uses Highmark for their health insurance. There 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 Pro Benefits. The employee's portion of the premium is outlined in each bargaining unit's contract.

Open enrollment is May 1 through 31st, the Benefit Administrator/ Personnel Specialist 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 Specialist 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 Specialist, listing the effective date, employee name and social security number, fund name, percentage of salary to be deducted, and the maximum amount they are able to contribute for the year. The Payroll Specialist 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 Specialist 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 Specialist 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 Specialist 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 online 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 Specialist. The Payroll Specialist 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. If an accounting period is re-opened, any additional journal entries are reviewed and approved by the Assistant Superintendent for Administrative Services.~~ **The District Treasurer maintains a backup for the journal entries.**

Accounting periods can be re-opened by the District Treasurer.

~~All bank statements are received by the Assistant Superintendent for Administrative Services, reviewed, then forwarded to~~ **obtained by** the Treasurer **from the banking website** 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. Some bank reconciliations are performed by the extracurricular activity fund managers at the schools for the appropriate extracurricular activity accounts and forwarded to the Treasurer. The Treasurer 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 **and Assistant Superintendent for Administrative Services have** ~~has~~ been given Board approval to approve all budget transfers not in excess of ~~\$10,000~~ **\$15,000**. All transfers are approved by the ~~District Treasurer,~~ Assistant Superintendent for Administrative Services and Superintendent.

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

WIRE TRANSFERS

Transfers to outside entities include debt service payments, 403b withholdings, State and Federal withholding taxes, ERS and some vendors. The Treasurer or Payroll Specialist receives an invoice and initiates the transfer. Wires are released by either the Treasurer or Payroll Specialist (whoever did not initiate it). The Treasurer and Payroll Specialist 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. The District utilizes a dedicated computer for the wire transfers that does not have access to email or web browsing.

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 2018. 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 High School. 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. Access to the fuel tank at the High School is limited to Student Transportation of America (STA). There are also timers to prevent the use of the fuel pumps outside normal hours of operations unless special exceptions are granted, and the timers need to be turned off.

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 re-fuel.

The District outsources its transportation to Student Transportation of America (STA). Per the contract, the District will provide STA "with the fuel necessary for the live miles in the direct performance of the transportation required". The District pays for one gallon of diesel fuel for every six route miles and one 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 and billed separately and are included in the reconciliation at the end of the year.

INFORMATION TECHNOLOGY

The District's IT Department reviews access rights for individual users of the District's network and makes the appropriate changes as needed. Network passwords are changed every 180 days and the system locks users out after five 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. Network passwords require a minimum of eight characters, complexity, and have a history of five passwords that cannot be reused.

The nVision software is designed specifically for school districts and other governmental entities. The District has been using the software for over ten 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.

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

The District uses Power School Student Management System. Passwords to Power School are not required to be changed periodically but the user must be logged into the District's network prior to accessing the Power School system. The system locks users out after five 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 BOCES as part of their contract services agreement on a daily basis. The backups are monitored on a daily basis by BOCES and the Director of Technology through status reports. Erie 1 notifies the District immediately if there is a backup problem and works to resolve the issue.

The District protects their network with firewalls and anti-virus software that is updated automatically by the vendor. They have an Acceptable Use Policy that is reviewed, and all employees acknowledge annually.

The District has a Change Management Policy and utilizes a ticketing service through BOCES for all changes needed to the system. They provide all employees security awareness training in compliance with Ed Law 2D, which consists of modules for phishing, privacy, and personal security best practices. The training is purchased through Greater Southern Tier BOCES.

The District has implemented an enhanced cyber security and data protection services program with BOCES. This program includes a risk assessment that is performed at least annually. All risks identified are communicated to the Director of Technology. The program includes vulnerability management and penetration testing also which are performed at least annually by BOCES. Any identified weaknesses are addressed by BOCES and communicated to the Director of Technology. BOCES also monitors the District's network for intrusions as part of the managed services provided.

The District allows certain employees, with management's authorization, to access the network remotely via a VPN. Access requires two-factor authentication.

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 and 2024. **No internal audits were conducted prior to 2017 or in 2018 through 2023.**

Business Area	2017	2024	2025	2026	2027
Lines of Business					
<i>Budgeting, Governance, and Reporting</i>					
<i>State Aid</i>					X
<i>STAC Processing</i>					
<i>Medicaid</i>					
<i>Grants</i>					
<i>Centralized Cash Receipts</i>					
<i>School Lunch Cash Receipts</i>					
<i>Purchasing and Cash Disbursements</i>			X		
<i>Payroll</i>		X			
<i>Health Benefits and Paid Time Off (Attendance)</i>	X				
<i>General Ledger Maintenance</i>				X	
<i>ACH Transfers</i>					
<i>Fixed Assets</i>					
<i>Fuel Depot</i>					
Information Technology					
<i>Information Technology</i>					

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.

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

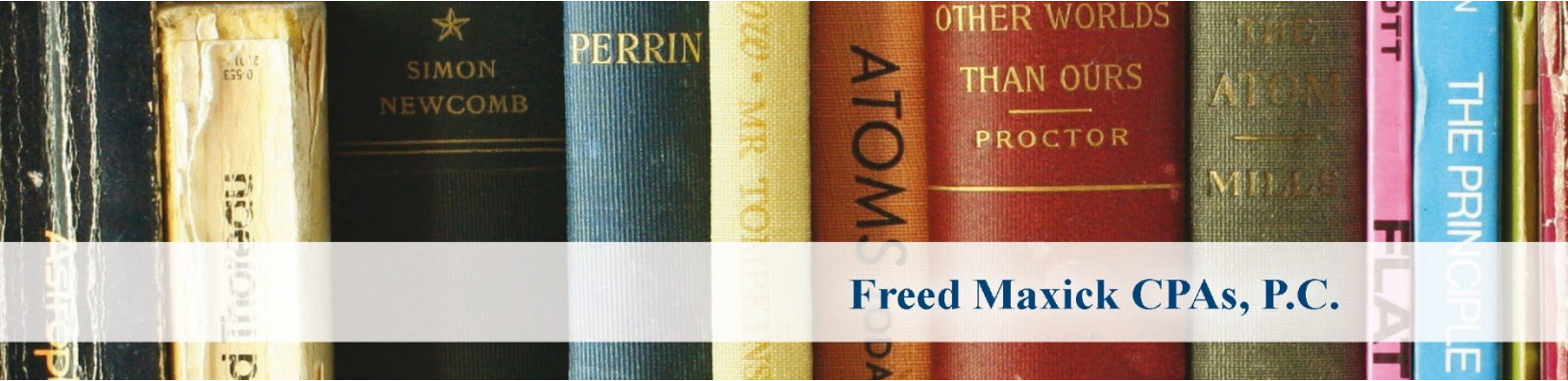
Monitoring – This category includes identifying a mechanism or process to assess internal controls on an ongoing basis to ensure that changes are incorporated effectively.

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.



Freed Maxick CPAs, P.C.

Lewiston-Porter Central School District Review of Internal Controls over Payroll Processing

Internal Audit Report

February 21, 2024

February 21, 2024

Audit Committee
Lewiston-Porter Central School District
4061 Creek Road
Youngstown, NY 14174

We have performed an internal audit of the internal controls over payroll processing of Lewiston-Porter Central School District (the District). Our internal audit was performed during February 2024 in accordance with the terms of our engagement letter and the applicable internal audit procedures. Our report contains the following:

- **Executive Summary** - An overview of the risk factors considered, an overall internal audit rating, and a summary of the key observations.
- **Observations** - Detail related to specific findings noted during the current year testing

This report contains recommendations for improvement in internal controls for consideration by the Board of Education, the audit committee and school district officials.

This report is intended solely for the information and use of the District. It is not intended to be and should not be used by anyone other than these specified parties. The New York State Comptroller's Office may be provided with a copy of this report in connection with fulfilling their oversight responsibilities.

We appreciate the cooperation extended to us during this review. If we can be of assistance to you or if you have any questions concerning this report, please contact Kathryn Barrett at (585) 344-1967 or Katelyn Crowley, at (716) 362-6281.

Sincerely,

Freed Maxick CPAs, P.C.

Freed Maxick, CPAs, PC

Table of Contents

EXECUTIVE OVERVIEW	4
INTRODUCTION	4
INTERNAL AUDIT SCOPE	4
OVERVIEW OF OBSERVATIONS	4
CONCLUSION.....	5
INTERNAL AUDIT APPROACH	6
SCOPE AND METHODOLOGY.....	6
COMMENTS OF DISTRICT OFFICIALS AND CORRECTIVE ACTION	6
APPENDIX A	9
INTERNAL AUDIT METHODOLOGY	9
APPENDIX B	10
INTERNAL AUDIT PROCEDURES PERFORMED.....	10

Executive Overview

Introduction

We recently completed an internal audit of the District’s internal controls and processing procedures over payroll with a primary objective of evaluating the significant control points for effectiveness, adequacy, and efficiency of operations. This report is intended solely for the information and use of the District, and should not be used for any other purpose. The following chart, extracted from the risk assessment conducted as part of the internal audit plan development, illustrates the areas that present the higher risks:

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.			
Payroll Processing	L	H	L	L	L	L	M	M	S	S	M	S	S	275	1	260

Internal Audit Scope

We completed an internal audit of the District’s payroll processing in accordance with the internal audit plan and planning memo. Our internal audit was performed to:

- Gain an understanding of the functions and processes,
- Identify the risks and exposures,
- Assess the impact of such risks on the internal control environment, and
- Evaluate the adequacy of internal controls in place to mitigate the identified risks.

Overview of Issues

During the course of our work, we discussed our findings with management. Our detailed recommendations for improving controls and operations are described in the detailed issue matrix of this report. A summary of key issues is provided below.

Issue Description	Relative Risk	Resolution Level of Difficulty
Incorrect Rate for Payroll (Certified Substitute)	Moderate	Low
Incorrect Rate for Payroll (Overtime rate)	Moderate	Low
Repeating/ Reused Check Numbers	Low	Low

Relative Risk is an evaluation of the severity of the concern and the potential impact on the operations. Items rated as "High" are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as "Moderate" may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as "Low" could escalate into operational issues, but can be addressed through the normal course of conducting business.

Resolution Level of Difficulty is an evaluation of the estimated level of difficulty and potential cost to resolve the concern based on our experience. Items rated as "High" are considered to be difficult to resolve and/or will require a significant amount of planning and management involvement/oversight in order to obtain resolution. Items rated as "Moderate" are not as difficult to resolve and/or do not require a significant amount of planning, but may be time-consuming to resolve. Items rated as "Low" are items that are not complex and/or do not require significant amounts of planning and time to resolve.

Conclusion

A "Satisfactory" internal audit rating, as defined below, was assigned following this internal audit based on Auditors identifying no key findings, as well as other less significant comments that can be addressed by management in the normal course of business.

RATINGS	CONDITIONS
SATISFACTORY	No significant deficiencies exist, while improvement continues to be appropriate; controls are considered adequate and findings are not significant to the overall District.
NEEDS IMPROVEMENT	Some improvement needed to bring District to acceptable status but if continues without attention, could lead to further deterioration and an unsatisfactory status.
UNSATISFACTORY	Significant deficiencies exist which could lead to material financial loss or embarrassment to the District.

Internal Audit Approach

To accomplish the scope of this internal audit, we reviewed or performed:

- Payroll registers, collective bargaining and employee agreements, salary agreements/ notices, and time sheets/ cards
- Cancelled checks and direct deposits
- Employee Documentation for Payroll Deductions
- Interviews with personnel responsible for payroll

It should be recognized that controls are designed to provide reasonable, but not absolute, assurance that errors and irregularities will not occur, and that procedures are performed in accordance with management's intentions. There are inherent limitations that should be recognized in considering the potential effectiveness of any system of controls. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes in judgment, carelessness, or other personal factors. Control procedures can be circumvented intentionally by management with respect to the execution and recording of transactions, or with respect to the estimates and judgments required in the processing of data.

Further, the projection of any evaluation of control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with procedures may deteriorate.

Scope and Methodology

During this internal audit, we examined internal controls over payroll processing of the District that existed at the time of our internal audit. More information on such standards and the methodology used in performing this internal audit is included in Appendix A of this report.

Comments of District Officials

The results of our internal audit and recommendations have been discussed with District officials and their comments, which appear in this report, have been considered in preparing this report.

The Audit Committee has the responsibility to initiate corrective action. The Audit Committee should prepare a plan of action that address the recommendations in this report. For guidance in preparing the plan of action, the Audit Committee may refer to applicable sections in the publication issues by the Office of the State Comptroller entitled Local Government Management Guide.

Detailed Observations and Recommendations – Employee Benefits

Observation	Recommendation	Management Response
1. Incorrect Rate for Payroll (Certified Substitute)		
<p>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.</p>	<p>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.</p>	<p>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.</p>
2. Incorrect Rate for Payroll (Overtime Rate)		
<p>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.</p>	<p>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.</p>	<p>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.</p>

Observation	Recommendation	Management Response
3. Repeating/ Reused Check Numbers		
<p>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 in 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 deposits 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.</p>	<p>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.</p>	<p>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 be continued moving forward.</p>

APPENDIX A

INTERNAL AUDIT METHODOLOGY

To accomplish our internal audit objective, we performed a risk assessment of the internal controls in order to design our internal audit to focus on areas of higher risk. Our risk assessment included evaluations of the following areas: budgeting, accounting systems, centralized and decentralized cash receipts, grant administration, state aid, purchasing and cash disbursements, payroll, employee benefits and paid time off, fuel depot, and fixed assets.

During the risk assessment, we interviewed appropriate District officials and reviewed pertinent documents such as District policies and procedures manuals and financial records and reports. Further, we reviewed the District's internal controls and procedures over the computerized financial databases to ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our risk assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct, and identified for internal audit those areas most at risk. The Audit Committee selected payroll processing for further audit testing.

Within payroll, we interviewed appropriate District officials and employees to obtain an understanding of the District's controls and operations associated with payroll processing. We reviewed payroll registers, employee contracts, union or employment agreements, time sheets/ cards, salary agreements/ notices, and system controls.

APPENDIX B

INTERNAL AUDIT PROCEDURES PERFORMED

We performed the procedures enumerated below, which were agreed to by the Audit Committee of the District. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures performed are summarized as follows:

Payroll Testing

- We randomly selected a total of 50 employees for testing from the December 8, 2022, and April 13, 2023, payroll registers. We verified that the sample included employees from all collective bargaining units, both contract and hourly employees.

For each employee selected for testing, we:

- Verified the contract amount or hourly rate, including a sample of stipends and extra pays, noted in the payroll register for the employees selected for testing agreed to the amount in the collective bargaining contract or board approval.
- Traced and agreed deductions to employee approved documentation to verify that the amounts deducted were approved by the employee.
- As applicable, verified a signed direct deposit authorization form was on file and the amount of the direct deposit agreed to the transmittal list submitted to the bank for the payroll period tested.
- As applicable, examined the cancelled check and verified the payee and that the net pay per the payroll register agreed to the amount on the cancelled check.
- Recalculated the employee gross pay based on the annual contract or the hours worked and verified that it agreed to the employee gross pay per the payroll register. For hourly employees, we traced the hours worked per the payroll register to the employee timecard and verified the timecard was approved by the employee's supervisor.

Terminations

- We randomly selected ten employees who retired, resigned, or were terminated during the period July 1, 2022, to December 31, 2023. We verified that any paid benefits to the employee were allowable according to the employee's collective bargaining contract or Board approved contract and were correctly calculated.

Payroll Registers:

- We verified that the payroll registers selected, October 2022 to December 2022 and April 2023 to June 2023, were certified by the individual approved by the Board to certify those registers.
- We reviewed the payroll registers selected verifying that there were no break in check sequence, and any breaks in sequence included a voided check.

Payroll Reports

- We reviewed the payroll change reports for the payroll registers selected for testing, December 2022 and April 2023, and verified the change report has been reviewed and signed denoting review.
- We reviewed the payroll audit reports available in NVision for any unusual activity or activity by unauthorized employees for the period July 2022 to December 2023.