Mount Vernon City School District
Risk Assessment

Covering the State mandate for the year ended June 30, 2022

Mount Vernon City School District

Table of Contents

TOBIN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, PC

Mount Vernon City School District
Board of Education
165 North Columbus Avenue
Mount Vernon, NY 10553

We are pleased to provide our report on our review of the Mount Vernon City School District (the District) internal control system and Updated Risk Assessment. The purpose of this engagement is to ensure compliance with applicable New York State laws and regulations under the Fiscal Accountability Initiative.

Our report updates the risk assessment scores and levels of the different processes of the District, and highlights any improvement changes or weaknesses in internal controls noted since the last risk assessment report. This report also provides a recommended area where an in-depth review should be performed.

We are pleased to have had the opportunity to serve you and look forward to reviewing this report in detail with you. We would also like to thank the Board of Education and the employees of the Mount Vernon City School District for their time and assistance during our engagement.

Sincerely,

Tobin & Company
Certified Public Accountants, PC

February 3, 2022

At the request of the Board of Education of the Mount Vernon City School District "the District" we have performed a review to update the Initial Risk Assessment. Our assessment includes an analysis of business procedures and activities. The risk assessment considered qualitative, quantitative, technological, and human elements of the District's operations.

During our engagement we performed the following procedures:

- Interviewed key personnel, including top administration, mid-level management, and business office employees.
- Evaluated forms and documentation used in the daily business processes.
- Evaluated internal controls, policies, and procedures.
- Evaluated technology used by the District as well as the security of the technology.
- Reviewed the external auditor's latest management report.
- Reviewed the New York State Comptroller's report on the District's internal controls.
- Reviewed prior Intensive Review Report with each department head.

Interviews of key personnel included the following:

Ken Silver, *Assistant Superintendent for Business*

Danielle Godfrey, *Purchasing Agent*

Linda Henderson*, Purchasing Agent*

Marci Tiggs, *Assistant Superintendent for Human Resources*

Joe McGrath, *Learning Standards Administrator Information Technology*

Fran Freitas, *Health Benefits*

Michael Pelliccio*, Director of Buildings and Grounds*

Kathey Kelley, *Claims Auditor*

Patsy Di Leo, *Budget District Grant Analyst*

Amy Moselhi, *Accounting Manager*

Since our last review, the District has made internal control changes to the procedures of several areas. The scores for some of these areas have decreased while others increased. Below is a summary of noted internal control improvements and areas for potential improvement:

A summary of the District's notable internal control improvements are as follows:

1. **(Human Resources)** Human Resources has detailed information and job descriptions of all employees that can act as backup if needed in the future.
2. **(Payroll)** The module Time Piece is now fully operational and is being used at the high schools and administrative offices.
3. **(Purchases/Payables)** The District closely monitors vendors for compliance with the terms of their agreement.
4. **(Technology)** District employees participate in phishing tests.

A summary of our notable observations follows below. These observations as well as our recommendations are explained further in the body of this report.

1. **(Purchases/Payables)** The District should review open purchase orders monthly to avoid clustering of old and new purchase orders by the end of the school year.
2. **(Purchases/Payables)** The District should implement a policy and procedures system for credit card purchases and quick claims to avoid purchases without the purchasing agent's approval.
3. **(Payroll)** The District should perform a live payroll distribution at least once a year. This will help ensure all employees who are being paid through direct deposit are indeed working for the District.
4. **(Payroll)** As a control measure, the Treasurer or Purchasing Agent should review and approve all payroll tax returns and payments.
5. **(Payroll)** The claims auditor should review all payroll tax payments to confirm the payments were made timely.
6. **(Technology)** The District should implement and continuously update new policies for cybersecurity training of all employees.

The risk assessment quantifies scores in various areas of the operations of the District. The scores determine if a particular area is graded low, medium, or high risk. The following illustrates the range of possible scores:

Low Risk   21 - 49
Medium Risk   50 - 77
*High Risk   78 - 105

Risk levels were assigned to each area based on six key variables:

1. **_Dollar Volume_** - The higher the dollar volume, the higher the risk value assigned.
2. **_Adequacy of Personnel_** - Values assigned depend on personnel having proper qualifications, and that there is enough staff to perform proper internal controls.
3. **_Complexity of Activity_** - Different areas are more complicated and allow more opportunities for fraud or misappropriations.
4. **_Management Interest_** - If management places a priority, or expresses interest in a particular area, it is awarded a higher risk value to ensure that attention is paid to that area.
5. **_Adequacy of Procedures_** - If there are proper procedures that are understood and followed, risk levels are significantly reduced.
6. **_Adequacy of Internal Controls_** - Lack of controls could mean that procedures are not followed correctly, increasing risk levels.

In order to calculate the Risk Score for each reviewed area, we have to determine the weighted risk value for each variable. The following is an illustration of the calculation which assigns risk scores to each variable:

A = Descriptive Value - Each variable is scored with a value from 1-5 (5 being highest risk) depending on our observations for that particular area.

B = Significance Weighting Factor - Each variable is ranked in order of its importance from 1-6 (6 being most important).

A x B = Weighted Value - Calculated by multiplying each descriptive value by its weighting factor.

When we have computed a score for each variable, they are totaled giving us the Total Risk Score for the area being evaluated.

It should be noted that not all of these variables can be controlled by the District. For instance, the dollar volume for receipts, payables, and payroll will always be high. Therefore, even with perfect controls these areas would not be considered low risk. This should be taken into consideration when reading the results of our scoring.

In the illustrations below, we list each area, date an intensive review was performed, its updated risk scores, its previous assigned risk score and the score of a school district of similar size:

Area of Review	Completed Intensive Area	Score Current	Score Prior	Score of Similar District
Purchases / Payables	6/30/2017 & 6/30/19	83	82	56
Benefits		80	81	77
Receipts		76	75	47
Payroll	6/30/2018 & 6/30/2021	78	74	70
Capital Projects	6/30/2015	75	77	58
Student Activity	6/30/2011	75	74	47
Human Resources	6/30/12 & 6/30/20	76	75	77
Buildings & Grounds	6/30/2015 & 6/30/2022	68	70	53
Technology	6/30/2014	72	70	55
Accounting & Reporting		63	64	53
Food Service	6/30/2013	61	63	62
Grants		60	62	47
Transportation		44	45	46
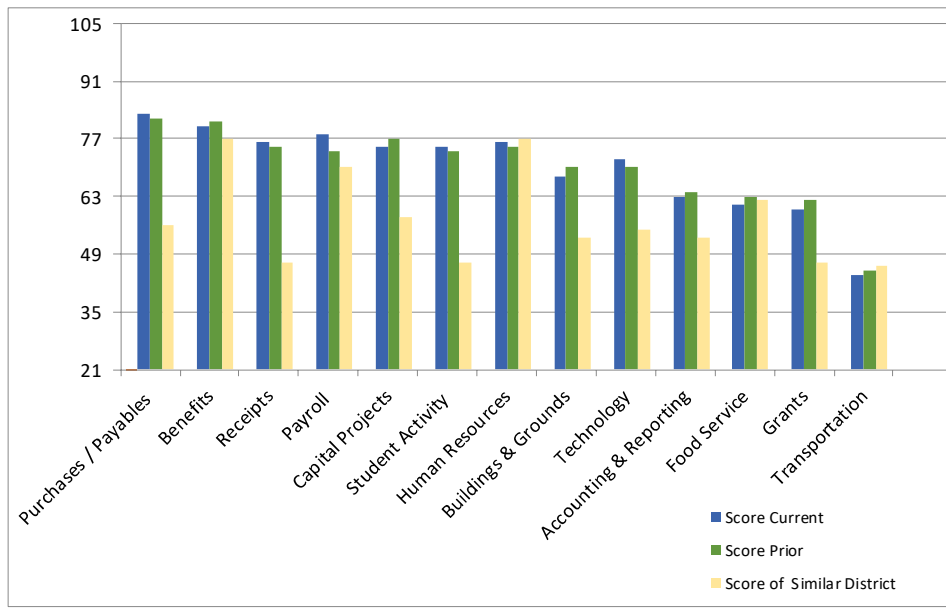
Recommendation for Next Review Areas

We recommended the next Intensive Review to be in the area of On-Line Banking. Testing will include the following:
- Detailed interviews of District personnel in relation to the process of accessing account information, sending wire transfers between District accounts and external accounts.
- Inspecting and tracing transfers between District accounts.
- Detailed interviews of banking representatives on cyber security policies and procedures.

Summary of Reviewed Areas, Observations and Recommendations

PURCHASES / PAYABLES- Risk Score: 83

<u>Original Assessment</u> - Purchases and Payables are assessed together due to their close relationship. We reviewed all areas related to this function including the procedures and documentation for purchases of supplies, employee reimbursements, and contract purchases. We interviewed a number of key employees related to this area, and formed an understanding of the attributes of the "Purchase Cycle" within the District. Based on our understanding we assessed this area at *High Risk* level.

Internal control improvements noted since our previous Risk Assessment:

1. The District closely monitors vendors for compliance with the terms of their agreement.

Previously reported observations and recommendations remaining unresolved:

1. <u>Observation</u>: Claims are being submitted for prior year purchases or events that have already passed. When claims are submitted at a time significantly after the event was held it makes it difficult to verify the accuracy and legitimacy of payment requests.
    <u>Recommendation</u>: The department should continue to train and update appropriate District personnel. Requests for payment should be submitted before the event and follow the correct procedures.

2. <u>Observation</u>: The District will on occasion issue unscheduled checks. This can cause a breakdown with the internal control structure since it may bypass certain policies and procedures in the accounts payable and purchasing cycle.
    <u>Recommendation</u>: A request for payment should start with a requisition and then go through the correct channels for proper approvals. Once authorized, checks should be issued on one of the predetermined scheduled check runs.

3. <u>Observation</u>: The nVision software has an automated receiving module. The Purchase Requisition Clerk doesn't use this module to mark the merchandise in nVision as received.
    <u>Recommendation</u>: The District should implement the use of nVision merchandise receiving module. This would provide for an automated printout of merchandise received when approving claims to be paid.

New observations and recommendations:
1. <u>Observation</u>: At the end of the school year, the District reviews open purchase orders.
    <u>Recommendation</u>: The District should review open purchase orders monthly to avoid clustering of old and new purchase orders.
2. <u>Observation</u>: There are instances where credit card purchases and quick claims are being made without purchasing agent approval.
    <u>Recommendation</u>: The District should implement a policy and procedures system for credit card purchases and quick claims. Purchases without the approval of the purchasing agent should not happen without a valid reason.

Summary of Reviewed Areas, Observations and Recommendations

PURCHASES / PAYABLES (continued)

Current Assessment – In addition to our observations, Purchasing and Payables is an area most susceptible to fraud and therefore will always be risked higher than other areas. While the assessment of *High Risk* remains unchanged, the score increased to an 83.

BENEFITS - Risk Score: 80

Original Assessment - Due to the nature of the department (one employee), benefits was given a *High-Risk* rating. There is however, room for improvement in the procedures to tighten some controls. The procedures in place at this point should minimize risk, but the District should monitor this area closely.

Internal control improvements made since our previous Risk Assessment:

    None noted.

Previously reported observations and recommendations remaining unresolved:

1. Observation: The Benefits Clerk relies on Board updates to record employee insurance changes.
   Recommendation: The Benefits Clerk should communicate all employee insurance changes in writing to the Payroll Department. Any changes should be reviewed and confirmed by Benefits.

2. Observation: Benefits should complete the update to all employee files in nVision.
   Recommendation: The District should provide assistance to the Benefits Clerk in order to update all retiree information in nVision. This will allow for a smooth sharing of information by many departments.

New observations and recommendations:

    None noted.

Current Assessment – Since our initial risk assessment, we have made various recommendations with the goal of strengthening internal controls. The District has since implemented many of these improvements which have helped strengthen internal controls. The assessment stays the same with a High Risk.

Summary of Reviewed Areas, Observations and Recommendations

RECEIPTS - Risk Score: 76

Original Assessment - This area includes incoming funds from several sources such as food services, State reimbursements, student activity funds and grants. When reviewing the District's procedures in this area, we focused on the following:

1. Methods in which money is received
2. The different revenue sources
3. How receipts are recorded
4. How money is moved from one account to another

Current Assessment – Although there is a high dollar volume in this area, larger receipts are often received electronically via wire transfers. Receipts were assessed a *Medium Risk* level with good overall procedures, and internal controls in place. This is a very significant area of activities of the District and should always be monitored closely. We noted no significant changes. The Risk Score remains at *Medium*.

PAYROLL - Risk Score: 78

Original Assessment - We assessed Payroll at a Medium Risk level. Payroll is a significant percentage of the overall budget of the District.   Whenever there is a high dollar volume the level of risk rises automatically. As with Purchases and Payables we found procedures in place that could help prevent fraud or misstatement.

Internal control improvements made since our previous Risk Assessment:
1. The module Time Piece is now fully operational and is being used at the High Schools and administrative offices.

Previously reported observations and recommendations remaining unresolved:

1. Observation: The District continues to issue physical payroll checks. This increases their risk for lost checks or check fraud.
   Recommendation: Currently, the District is at approximately 85-90% direct deposit. We recommend a transition to 100% direct deposit. Not only does this have a cost benefit, it will also give the District greater control over payroll and reduce the bookkeeping process.
2. Observation: The District is entering employee time reported from the schools into nVision.
   Recommendation: Aesop scheduling software is used to capture employee attendance. This should be used as a source to upload employee time into nVision.

3. Observation: There is no total hour time check proof from timesheet to nVision.
   Recommendation: The Payroll Clerks should foot overtime hours from source documents and compare this to total hours entered into nVision.

Summary of Reviewed Areas, Observations and Recommendations

PAYROLL (continued)

New observations and recommendations:

1. Observation: The District has not performed a live payroll distribution in a very long time.
   Recommendation: The District should perform a live payroll distribution at least once a year. This will help ensure all employees who are being paid through direct deposit are indeed working for the District.
2. Observation: The Payroll Clerk prepares payroll tax returns with Nvision reports and are than filed with the corresponding agencies.
   Recommendation: As a control measure, a business office employee should review and approve all payroll tax returns and payments.
   Recommendation: The claims auditor should review all payroll tax payments to confirm the payments were made timely.

Current Assessment – Since our initial risk assessment the District has implemented our recommendations where feasible. While these improvements have helped strengthen internal controls, there is still room for improvement. The Risk Score remains at *Medium*.

CAPITAL PROJECTS - Risk Score: 75

Original Assessment - We assessed Capital Projects at a Medium Risk level. Management has previously expressed concern about the procedures in place. They have taken measures to strengthen the financial accountability by hiring an independent consultant to assist with accounting and reporting for capital projects. This is an area where the dollar volume is significant, and the activity and public reporting can be complex.

Internal control improvements made since previous Risk Assessment:

> None noted.

Previously reported observations and recommendations remaining unresolved:

1. Observation: The inventory list of machinery, equipment and tools was last updated in July 2015.
   Recommendation: Most insurance policies provide for a free inventory update once every three years. The District should schedule a physical inventory.

New observations and recommendations:

> None noted.

Current Assessment – The District continues to work with an independent consultant to assist with the accounting and State filing procedures for Capital Projects related to their $108 million bond. While there is still a high dollar amount involved, we believe that this has helped strengthen internal controls. As a result, the Risk Score is lowered to Medium Risk.

Summary of Reviewed Areas, Observations and Recommendations

STUDENT ACTIVITIES - Risk Score: 75

Original Assessment – Student Activities is an area with a relatively low dollar volume. However, since this is an area where funds change hands, and an area that is commonly overlooked, it is an area where fraud could potentially take place.

Internal control improvements made since our previous Risk Assessment:

   None noted.

Previously reported observations and recommendations remaining unresolved:

1. Observation: The Student Activities Clerk is responsible for depositing money, making payments, and bank reconciliations. There is no segregation of duties.
   Recommendation: The District should segregate duties and have the Treasurer, or another District employee perform one of these responsibilities.

2. Observation: The District does not use accounting software to track Student Activities on a consistent basis. All activity (except for Mount Vernon High School) is recorded manually through excel or on paper. As a result, bank reconciliations are not performed efficiently.
   Recommendation: To improve efficiency and effectiveness, the District should consider using nVision software for Student Activities. This would help track individual club funds in a more efficient manner.

3. Observation: Newly formed clubs are not preparing budgets. This could result in overspending of the club's funds.
   Recommendation: The District should require all clubs, including first year clubs to prepare budgets.

New observations and recommendations:

   None noted.

Current Assessment – Due to the risk factors involved, the assessment of Medium Risk has remained.

HUMAN RESOURCES - Risk Score: 76

Original Assessment - Human Resources are assessed separately from the Payroll cycle because of the structure and process within the District's operations. While we did not note any significant weaknesses in the procedures or internal controls for this area, we did note areas for improvement.

Internal control improvements made since our previous Risk Assessment:

1. Human Resources has detailed information and job descriptions of all employees that can act as backup if needed in the future.

HUMAN RESOURCES – (Continued)

Previously reported observations and recommendations remaining unresolved:

1. Observation: The District does use My Learning Plan for in house teacher credits, but not for qualified college credits.
   Recommendation: The District should fully use My Learning Plan to track educational credits for all qualified credits.

New observations and recommendations:

   None noted.

Current Assessment – We noted no significant changes. The Risk Score remains at *Medium*.

BUILDING & GROUNDS - Risk Score: 68

Original Assessment - The District has an in-house Buildings and Grounds Department which directly handles many routine duties for the District. Based on these factors we assign this area a Medium Risk level.

Internal control improvements made since our previous Risk Assessment:

   None noted.

Previously reported observations and recommendations remaining unresolved:

1. Observation: The average mileage-per-gallon calculation is not performed based on mileage and fueling reports.
   Recommendation: Mileage-per-gallon should be calculated based on mileage and fueling reports to determine if the vehicle is achieving the miles-per-gallon expected of that vehicle (to determine if mileage and fuel usage are being reported correctly).

New observations and recommendations:

   None noted.

Current Assessment – In school districts, this is an area commonly rated a medium risk, mostly due to various processes within the area where ineffective procedures can have a material impact on the budget. The highest risk factors are effective overtime control, work order analysis, equipment security, and efficiency. The Risk Level of *Medium* remains unchanged.

TECHNOLOGY - Risk Score: 72

Original Assessment - Technology is rated at Medium Risk level. Technology must be always monitored closely and vigilantly, for the safety of information as well as the students using computers within the District. The District should be aware that as Technology changes, the procedures for securing it may need to be updated as well.

Internal control improvements made since our previous Risk Assessment:

1. District employees participate in phishing tests.

Summary of Reviewed Areas, Observations and Recommendations

TECHNOLOGY (Continued)

Previously reported observations and recommendations remaining unresolved:

1. Observation: While the District is using Board Docs, there is no online protocol procedure to automate and notify departments about a termination and employee shut down.
   Recommendation: The District should implement an online protocol for employee change notifications.

New observations and recommendations:

1. Observation: The District found breaches in the system when performing their phishing test. Cybersecurity is a continuous threat to the District.
   Recommendation: The District should implement and continuously update new policies for cybersecurity training of all employees.

Current Assessment
The District is currently looking for a new director of Information Technology. Because Information Technology is always evolving, and new threats are constantly emerging, it is imperative the District continues to adapt as needed. The risk level in this area remains at a *Medium Risk*.

ACCOUNTING & REPORTING - Risk Score: 63

Original Assessment - This area includes all budget, accounting, financial reporting and cash management functions of the District. Overall, this area was evaluated as Medium Risk. The factors affecting this rating for this area included strategic planning impact and materiality to the financial statement, internal control environment and documentation of internal controls.

Internal control improvements made since our previous Risk Assessment:

   None noted.

Previously reported observations and recommendations remaining unresolved:

   None noted.

Current Assessment – The treasurer position is currently vacant. The District needs to fill the position as soon as possible. The Risk Level remains at *Medium*.

FOOD SERVICE - Risk Score: 61

Original Assessment – The district has qualified for free and reduced meals districtwide. Food Service is run by an outside company. This alleviates the need for the District to staff this area of operations. The outside company provides enough documentation of activity for the District to feel comfortable that they are reporting revenues correctly. We believe the controls in place are sufficient to alleviate most of the risk. Therefore, Food Service was rated as Medium Risk.

Internal control improvements made since our previous Risk Assessment:

   None noted.

Summary of Reviewed Areas, Observations and Recommendations

FOOD SERVICE (continued)

Previously reported observations and recommendations remaining unresolved:

None noted.

New observations and recommendations:

None noted.

Current Assessment – The District currently subs out food service to Sodexo. The District completes all the reporting required to be reimbursed for meals from the National School Lunch program. While we reduced the Risk Score slightly, the Risk Level remains at Medium.

GRANTS - Risk Score: 60

Original Assessment - School Districts are entitled to a variety of program aid from the State and Federal Government. Government aid and grants can be a substantial source of funding for public education. The highest risk related to Government aid and grants would be that the District is not receiving all funds that it may be entitled to.

Our interviews did not reveal any internal control weaknesses; we did however note some valuable controls that are already in place. The District hired a consultant, (Wellcore Consultants), to write grants and perform grant administration services to secure State, Federal and private grants for the District.

Internal Control improvements made since our previous Risk Assessment:

None noted.

Previously reported observations and recommendations remaining unresolved:

None noted.

New observations and recommendations:

None noted.

Current Assessment – We noted no significant changes within this area. The Risk Level remains at Medium.

TRANSPORTATION - Risk Score: 44

Original Assessment - During our update, we briefly reviewed the procedures in this area. The risk of employee theft or fraud is minimal due to its nature; however, there may be financial, efficiency and student safety risks present.   We have rated this area at a Low Risk level.

Internal control improvements made since our previous Risk Assessment:

None Noted.

Previously reported observations and recommendations remaining unresolved:

None noted.

New observations and recommendations:

None noted.

Current Assessment – The Risk Score remains at a Low Risk level.