

LANSINGBURGH CENTRAL SCHOOL DISTRICT
2022/2023 RISK ASSESSMENT



BUSINESS
ADVISORS
AND CPAS

October 18, 2023

Audit Committee
Lansingburgh Central School District
55 New Turnpike Rd
Troy, NY 12182

We have completed the financial risk assessment of the Lansingburgh Central School District for the 2022/2023 fiscal year and are enclosing the attached report. The purpose of this engagement was to assist you in implementing the regulations imposed by the 2005 School Financial Oversight and Accountability legislation. Our engagement was designed to assess risk in the District's financial reporting process, identify internal controls that address or mitigate those risks, recommended procedural changes, and report to the Board (through the audit committee) and management.

Our procedures included reviewing responses to internal control questionnaires completed by District staff, interviewing key personnel, and reviewing certain employee's access to general ledger applications. The risk assessment addresses various components of the financial operations of the District.

We found the overall control environment to be very good. Management and staff within the business office are certainly cognizant of the importance of internal controls, are aware of and respond where possible to potential risks, and perform their jobs with competence and diligence.

The purpose of our engagement was to assist the Board and management in achieving its responsibility to monitor financial reporting risk. It is ultimately the Board's responsibility to determine a response to potential risks. However, our report does include suggestions of ways to respond to potential risks identified.

Although not addressed in our report, the Board should also consider implementing fraud and abuse awareness and reporting processes for the District. Many studies on fraud show that disclosure by other employees is the most common way that fraud schemes are uncovered.

The attached report is intended solely for the information and use of the Board of Education, Audit Committee and management of the Lansingburgh Central School District and should not be used for any other purpose.

We appreciate the opportunity to perform the risk assessment for the District and look forward to serving the District in the role of internal auditor. We should be viewed as a resource for the Board; please feel free to contact us at any time.

Sincerely,

A handwritten signature in black ink, appearing to be 'H. Lewis', followed by a horizontal line.

Heather R. Lewis, CPA
Partner

**LANSINGBURGH CENTRAL SCHOOL DISTRICT
JULY 1, 2022 - JUNE 30, 2023 RISK ASSESSMENT REPORT**

Payroll

Payroll and related benefits is the most significant expenditure of the District. There are a number of different employee groups who are paid in different ways, and a number of State and federal laws as well as union specific requirements to be followed. These factors together make the payroll transaction cycle a high-risk area.

Control Weaknesses and Risks

- Payroll Clerk has rights to make changes to their own information within nVision, including pay rates, census data, hours etc.
- The District doesn't keep a comprehensive checklist of required documents when employee personnel files are created.

Compensating Control

- Superintendent certifies payroll.
- A report is prepared every two weeks (payroll cycle) directly from nVision which shows all changes made during the two week period. This report is prepared by the Treasurer and signed off by the Business Official indicating their review of this report.

Recommended Changes to Procedure

- Ideally, users should not have access to make changes to their own payroll related information.
- The District should implement the use of a comprehensive checklist for new hires personnel files. The District started this process, but it has been delayed due to the COVID-19 pandemic.

Recommended Internal Audit Responses

- Review a sample of payroll changes to supporting documentation.

Cash Disbursements

Disbursements are a significant part of the operation of a school district and require a lot of District resources to process them annually.

Control Weaknesses and Risks

- Not all purchases are made through the use of a purchase order.

Compensating Control

- The claims auditor reviews all purchases for reasonableness, and the Business Administrator periodically reviews the report of any purchases made without a purchase order.

Recommended Changes to Procedure

- All purchases should be made through the purchase order process, in which purchases are approved by the purchasing agent prior to the purchase of any goods or services.

Recommended Internal Audit Responses

- Review purchases made without a purchase order for patterns or reasonableness.

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Extraclassroom Activity Funds (ECAF)

These funds are to be maintained by students with the oversight of an advisor. The students collect money for certain purposes and then request the money they collect to be spent. Due to the nature of these funds, there is a high inherent risk of loss, misappropriation or improper use of the funds. There are also specific New York State Education Department guidelines which must be followed by these funds.

Control Weaknesses and Risks

- Profit and loss statements are not being prepared for all fundraisers and pre-numbered tickets are not used. Additionally there is no copy of “Items ordered” included with the deposit to reconcile between items ordered and those received.
- For field trips/yearbook receipts, a list of students to whom items have been sold or deposits collected is not always maintained.
- The clubs do not document their budgetary estimates of receipts and disbursements.
- Some clubs do not maintain ledgers.

Compensating Internal Controls

- The Treasurer reviews the ECAF Activity.
- Central Treasurer’s ledgers are sent to Clubs when requested.

Recommended Change to Procedures

- Profit and loss statements should be required for all fundraising events and provided to the Central Treasurer. These statements should be complete and reconcile the actual cash collected to the amount deposited as well as the expenses incurred for each fundraiser. The profit and loss statements should also indicate leftover “inventory” from fundraisers that may be able to be used in future fundraisers.
- Prior profit and loss statements should be reviewed in determining whether a fundraiser is viable.
- Per the NYSED guidance, each club should annually budget receipts and disbursements and a copy filed with the chief faculty advisor, central treasurer, faculty advisor, and student activity treasurer.
- NYSED requires all clubs to maintain a separate club ledger. Procedures should be implemented to ensure all clubs maintain a club ledger.

Recommended Internal Audit Response

- Review a sample of cash receipts for proper documentation and reconciliation to amounts collected.
- Review disbursements for proper support and approval.
- Review ECAF bank reconciliations for accuracy.

General Ledger Access Levels

Appropriate segregation of duties is an important aspect of internal control; however, if the segregation is not present within the computer access levels, the segregation by policy is not effective.

Control Weaknesses and Risks

- Access rights within nVision are inappropriate or inconsistent for job duties performed, or are generic access over full areas. Some users have system administrator rights and therefore unrestricted access. Other users have more access than is necessary to perform their job functions.

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Recommended Change to Procedures

- The District's IT professional should be the only user with administrative rights. All other users should be given rights only to those modules (and the specific functions within those modules) that are required to perform their job duties and override privileges should be restricted to only appropriate business office staff.
- User access rights should be reviewed periodically.

Grant Compliance

Each grant awarded the District can have varying compliance requirements. These requirements can sometimes be confusing, lengthy, or be misunderstood.

Control Weaknesses and Risks

- Part 200.430 Compensation-personal services of the Uniform Guidance requires the documentation of employee time and effort. Documentation includes acknowledgement from the employee or their direct supervisor that they are being coded to a federal award program. This acknowledgment is required to be completed twice a year if an employee is coded 100% to a federal program and monthly if an employee is coded less than 100% to a federal program. We noted the District currently completes these certifications twice a year for all employees including those that are charged less than 100% to federal programs.

Compensating Internal Controls

- There are procedures in place to ensure the employees coded to federal grants are coded appropriately and the costs are allowable under the grant.

Recommended Change to Procedure

- The District should continue to perform the certifications twice a year for employees coded 100% to federal programs and should add the requirement to obtain these certifications monthly for those employees coded less than 100% to federal programs.

Other

Control Weaknesses and Risks

- The District does not document any review of the billings input into Medicaid Direct by the individual therapist unless there is a problem. A review of the SpecEd Solutions Billings is also not documented.
- There has been no review of the purchases made in the aggregate during the past 12 months to ensure the District is following the requirements over competitive bidding.
- The District does not evaluate staff performance on a periodic basis with the non-instructional staff.
- The District has multiple vendors who they maintain running account balances with which are paid on a monthly basis, there is a risk that these vendors could go over their budgeted PO amount.

Compensating Internal Controls

- Receiving actual revenue reports on a monthly basis.
- Medicaid is billed through a third party who specialize in these types of billings.
- Claims Auditor reviews all purchases and the competitive bidding requirement is an item on his checklist that he reviews for.

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- The District monitors vendors on a monthly basis and notifies the departments when they are close to their budgeted PO limits.

Recommended Change to Procedure

- The District should provide employees with job descriptions and expectations.
- The District should implement a policy where they have staff evaluations with staff members on a periodic basis.
- The District should implement a procedure where they document their review of the SpecEd solutions billings to ensure they are complete.
- The District should implement a policy where they review their annual purchases in the aggregate for compliance with the competitive bidding regulations.
- The District should limit the number of vendors who have a running balance.

Recommended Internal Audit Response

- None

Information Technology

Below are recommendations and best practices gathered from a questionnaire completed by the District's Technology Coordinator. A separate report was also provided to management on March 16, 2022.

Control Weaknesses and Risks

- Computer screens are not set to lock when not in use after a predetermined amount of time.
- The District allows the use of USB ports.

Recommended Change to Procedure

- The District should implement an auto-lock feature for a set period of time no more than 15 minutes or get into the practice of locking it manually consistent with the operating system being used.
- The District should update or create a policy regarding restrictions of USB for business use. If the District must allow them then the District should have control over the inventory and not allow employees to use their own USB devices.

Additional areas that were reviewed and controls appeared to be appropriately designed and functioning to not result in identification of additional risks:

- Bank Reconciliations
- Cash Receipts
- Claims Auditor Function
- Fixed Assets
- Budget Monitoring
- Cafeteria
- Board Member Training
- Facility Use

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Due to the volume of transactions, we reviewed a sample of transactions in the following areas to ensure controls were operating during the year:

- Cash disbursements – see finding above
- Payroll – no issues noted in sample reviewed
- Cash receipts – no issues noted in sample reviewed
- Journal entries – no issues noted in sample reviewed
- Extraclassroom activity funds disbursements and receipts – see finding above

**Lansingburgh Central School District
Items Removed From the Prior Year Risk Assessment Report**

**Lansingburgh Central School District
Items Removed From the Prior Year Risk Assessment Report**

Cash Receipts and Accounts Receivable Reconciliation

The client implemented a policy this year that addresses the following risk:

- There is no policy regarding when accounts receivable should be written off or what the procedure and approval should be.

Cash Disbursements

The client implemented procedures during the year that addressed the following risk:

- On occasion, purchases are made without a purchase order due to urgent need or unexpected incidents. The purchasing agent monitors and reviews non-purchase order payments, but that review is not documented and retained.

Bank Reconciliations

The client implemented procedures during the year that addressed the following risk:

- The bank reconciliations are not signed off on as being prepared and subsequently reviewed.

Extraclassroom Activity Funds (ECAAF)

The client implemented procedures during the year that addressed the following risks:

- The Central Treasurer has custody, deposits, reconciles, records, and has check signing ability.
- There is no reconciliation being done between the Club's ledger and the Central Treasurer's ledger.
- The District does not appoint a Faculty Auditor each year.

Information Technology

The client implemented procedures during the year that addressed the following risks:

- There is no internal process for assessing risk.
- The District does not receive threat intelligence information from sharing sources such as ISACs.
- Some users have administrative access.
- Recovery processes and procedures are not reviewed annually.

General Risks Related to the COVID-19 Pandemic

The client implemented procedures during the year that addressed the following risks.

- Changes to existing federally funded programs, such as the child nutrition cluster, should be documented properly to ensure the District is complying. Copies of any waivers granted should be kept supporting the rationale for the change. Changes in policies and procedures should be documented to show compliance.
- The Federal Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020, the purpose is to provide schools district with funding to address those unexpected expenditures incurred due to the pandemic. It will be important for the District to exhibit proper fiscal

Lansingburgh Central School District
Items Removed From the Prior Year Risk Assessment Report

oversight over these funds. Documentation should be maintained to show compliance with any requirements for these funds. Depending on the amount received this funding may be selected by your external auditor as part of your Single Audit and they will be inquiring regarding your compliance with the federal guidelines.



BUSINESS
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October 18, 2023

Audit Committee
Lansingburgh Central School District
576 Fifth Avenue
Troy, New York 12182

We have completed the testing of the selected transaction cycle of the Lansingburgh Central School District and are enclosing the attached report. The purpose of this engagement was to assist you in implementing the regulations imposed by the 2005 School Financial Oversight and Accountability legislation which requires annual testing and evaluation of one or more significant transaction areas.

The attached report discloses the detailed procedures performed, the results of those procedures, and any resulting recommendations. The area of purchasing related policies and their compliance with regulatory authorities and comparability to other districts was selected by the District for testing.

The purpose of our engagement was to assist the Board and management in achieving its responsibility to monitor financial reporting risk. It is ultimately the Board's responsibility to determine a response to our findings. However, our report does include suggestions of ways to respond to any findings.

The attached report is intended solely for the information and use of the Board of Education and management of the Lansingburgh Central School District and should not be used for any other purpose.

We appreciate the opportunity to perform the Internal Audit Function for the District and look forward to continuing to serve the District. We should be viewed as a resource for the Board; please feel free to contact us at any time.

Sincerely,

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Heather R. Lewis, CPA
Partner

**Lansingburgh Central School District
Schedule of Findings and Recommendations
June 30, 2023**

General Procedures: We reviewed the District's purchasing policies to ensure they are meeting current best practices and adherence to guidelines set for by the NYS Office of the State Comptroller (OSC) and the Uniform Guidance. We also compared dollar thresholds for purchasing to ensure they are in compliance with OSC guidance and Uniform Guidance, and are comparable to similar sized districts. We also reviewed recent OSC audits related to purchasing and policy content to ensure that the District was not missing any identified information in their policies.

Testing:

The following District policies were reviewed during our testing procedures:

Policy: 6630.1 Credit Cards

Recommendation: None

Policy: 6630.3 Meals and Refreshments/6630.03-R Meals and Refreshments Regulation

Recommendation: The policy and regulation address what is appropriate and when meals and refreshments would be deemed appropriate, however, the policy and regulation do not speak to prior approval of these costs. It is recommended that the District revise the policy to include that prior approval of the Superintendent/designee must be obtained for food and beverages provided at meetings or activities which will be charged to the District.

Policy 6670 Petty Cash/Petty Cash Accounts

Recommendation: None

Policy 6700 Purchasing/6700-R Purchasing Regulation

Recommendation: None

Policy 6705 Sweatshop-Free Purchasing

Recommendation: None

Policy 6710 Purchasing Authority

Recommendation: None

Policy 6720 Bidding Requirements/6720-R Competitive Bidding Procedures Regulation

Recommendation: None

Policy 6730 Cooperative Purchasing

Recommendation: None

Policy 6731 State Contracts

Recommendation: None

Policy 6741 Contracting for Professional Services

Recommendation: None

Policy 6751 Federal Purchasing Regulations – Uniform Guidance Compliance

Recommendation: There does not appear to be language or consideration of the Build America Buy America Act. It is recommended that the District include this act in their policy to be in compliance with Uniform Guidance.