



Bedford Central School District

**Updated Risk Assessment Report
Covering the State mandate for the year ending June 30, 2016**

Bedford Central School District

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TOBIN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, PC

To the Board of Education of the
Bedford Central School District
Bedford, New York

We have performed an update to our Risk Assessment as agreed to by the Bedford Central School District (the District). The purpose of this engagement is to ensure compliance with applicable New York State laws and regulations under the Fiscal Accountability Initiative for the fiscal year ending June 30, 2016.

Our report assigns risk assessment scores and levels to the different processes of the District, and highlights weaknesses in internal controls as well as valuable controls that are already in place. 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 Bedford Central School District for their time and assistance during our engagement.

Sincerely,

Tobin & Company
Certified Public Accountants, PC

Purchase, New York
May 17, 2016

Since our last review, the District implemented changes to certain operational procedures. Many of the operating procedures and internal controls remained the same. The most significant change since the last risk assessment was employee turnover in two central office positions: Personnel Assistant in the Human Resources office, and Accounts Payable Clerk in the business office. In addition, several other key central office employees are changing over at the end of the 2015/2016 school year. Employee change can bring a fresh perspective that could identify weaknesses or inefficiencies in processes and bring in new ideas. Employee turnover can also disrupt previous processes and protocol. While we did not note significant weaknesses, some of the risk scores were affected by the recent turnover.

Below is a summary of our observations. Further detail can be found in the body of this report:

Notable improvements to internal controls and procedures since the last risk assessment:

- 1) Overtime must be preapproved before it is incurred and paid. The overtime must be preapproved by the Director of Buildings and Grounds and the Assistant Superintendent for Business and Administrative Services.

Summary of newly noted areas for potential improvement:

- 1) The procedures and duties of the Human Resource department and its clerks are not clearly defined. There has been employee changes in this area over the past few years. It may be beneficial for the processes in the area to be clearly defined.
- 2) The District should develop a more formal communication method for employee changes, such as terminations or resignations. The common method, used in other school districts is a mass email addressed to specific directors/supervisors.
- 3) The facility usage process is done manually. The District should consider using School Dude to automate the process.
- 4) The District should consider adopting a policy requiring all committees to keep minutes of their meeting and submit them periodically, to the District Clerk.
- 5) The District should consider further defining each committees authority over District Staff.
- 6) The District should modify its reimbursement policy to require Board Members to approve each other's reimbursements.
- 7) The District should further define the communication hierarchy for committee members.
- 8) The District should consider developing an unresolved task list for Board items that are ongoing (similar to the Corrective Action Plan sheet kept by the business office). This will help ensure tasks/items are addressed.

Summary of areas for potential improvement noted in previous reports:

- 1) After a predetermined amount, two live signatures should be required on a check.
- 2) The District should create a form to document returns of merchandise from users so the Accounts Payable Clerk can anticipate vendor credits.
- 3) The District's Claims Auditor reviews claims packet after checks are printed.

Bedford Central School District

Risk Assessment Overview

At the request of the Board of Education of the Bedford Central School District "the District" we have performed a Risk Assessment of several areas of district operations. 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:

We interviewed key personnel, including top administration, mid-level management, and business office employees.

We evaluated forms and documentation used in the daily business processes.

We evaluated internal controls, policies and procedures.

We evaluated technology used by the District as well as the security of the technology.

We prepared flowcharts for key operational areas.

We reviewed the audit reports issued by the State Comptroller's Office as well as the District's External Auditors, and previous internal auditors. In addition, we reviewed previous audit comments and the District's action plan.

During our engagement we interviewed the following key personnel:

Mark Betz, Assistant Superintendent for Business and Administrative Services

Nancy Sasso, District Treasurer

Patricia Gomez, Senior Bookkeeper

Patricia McKenna, Purchasing Agent

Marianne Morgante, Accounts Payable for Buildings and Grounds

Judy Schumacher, Payroll Clerk

David Gee, Director of Technology

Tom Briggs, Director of Buildings and Grounds

Teri Gardiner, Extra Classroom Activities Treasurer (High School)

Deborah Dunne, Food Service Director (Aramark)

Christopher Weir, Claims Auditor

Anna Deccico, Secretary to a School Administrator (Human Resources)

Anne Marie Bazyk, Executive Assistant for Human Resources

Gina Healy, Assistant Superintendent for Human Resources

Explanation of Risk Ratings

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 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 reviewed 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 risk level for each variable. The following is an illustration of the calculation which assigns risk scores to each variable:

A = Rank - Each variable is ranked in order of its importance from 1-6 (6 being most important).

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

A x B = Weighted Value - Calculated by multiplying each variable's rank by its descriptive value.

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

Bedford Central School District

Risk Rating Results

In the illustration below we list each operational area, its previous assigned risk score, and the updated risk score, and level. We also have provided the average risk scores of 5 similarly sized neighboring Westchester County school districts for the same operational areas:

Area of Review	Bedford Current Risk		Bedford Previous Risk	
	Score	Level	Score	Level
Human Resources	78	High	76	Medium
Employee Benefits	68	Medium	68	Medium
Payroll	67	Medium	67	Medium
Purchasing and Payables	66	Medium	66	Medium
Facilities and Capital Assets	65	Medium	65	Medium
Extra Classroom Activities	61	Medium	61	Medium
Food Service	58	Medium	58	Medium
Revenue and Receipts	55	Medium	55	Medium
Information Technology	52	Medium	52	Medium
Transportation	50	Medium	48	Low
Government Aid and Grants	47	Low	47	Low
Board Governance	-	Low	-	Low

The history of intensive reviews performed on the District's operational areas is as follows:

	Recommendation for next intensive review
Human Resources	completed June 2013
Employee Benefits	completed July 2012
Payroll	<i>Recommended as next area</i>
Purchasing and Payables	completed June 2014
Facilities and Capital Assets	next focus area 2016/2017
Extra Classroom Activities	
Food Service	
Revenue and Receipts	
Information Technology	
Transportation	
Government Aid and Grants	
Board Governance	completed June 2015

HUMAN RESOURCES - Risk Score: 78

This area is a highly significant one, not only due to its relationship with the payroll process, but also due to the complexity and sensitivity in maintaining its relations with its employees' representative unions, related contractual obligations and compliance requirements. It is important in any school district that both the Human Resource Department and Payroll Department work jointly to effectively process the District's largest expense.

Internal control changes made since the last risk assessment report:

None.

Newly noted observations and recommendations:

- 1) Observation: Over the past few years, the area has experienced employee turnover. When discussing certain tasks of the department some employees were unclear as to who performs what and whether it was a function of payroll or human resources.
Recommendation: To assist the new Human Resource staff it may be beneficial for the District to define each role and compile a list of procedures performed.
- 2) Observation: The District should develop a more formal communication method for employee changes, such as terminations or resignations. Currently, the Human Resource Department notifies certain directors/supervisors separately and individually. There is no immediate mass notification to all appropriate personnel.
Recommendation: The best practice process we observed in many other school districts is for the Human Resource Director to send an immediate mass email to specific directors/supervisors. These specified parties include; Superintendent, Assistant Superintendent for Business, Building Principal, Payroll Dept., IT Director, Building and Grounds Director. Each director/supervisor have their own process after receiving such email. This mass email ensures everyone is notified timely.

Current Assessment

Since our last risk assessment report, the District realized turnover in the Human Resource Clerk position. The position has been filled with a new Clerk. We noted the new Human Resource Clerk does not have prior school district experience, particularly in the Human Resources field. We also noted at the end of the 2015/2016 school year, the current Assistant Superintendent for Human Resources will be retiring. These are turnovers in key roles of the Human Resource operation. While we did not note any significant deficiencies, the inherent risks increase due to the learning curve and adaption to procedures and protocol.

New employees will sometimes bring a fresh perspective on processes and potentially give recommendation for improvements. We recommend the Business Office continue to support the Human Resource Department during this transition. It may be beneficial for the District to perform an intensive review of this area in the near future. Due to the inherent risks associated with the turnovers over the past few years in the key roles, the Risk Scores is high.

PAYROLL - Risk Score: 67

Payroll is an area in which the high dollar volume in relation to the District budget inherently makes it a “higher risk” area. Payroll is also an area that is generally susceptible to fraud. These two factors make it difficult for the risk level in this area to ever be rated low, regardless of the controls in place.

Newly noted observations and recommendations:

- 1) The District has increased the approval process for overtime. The Assistant Superintendent for Business and Administrative Services now must pre-approve the overtime before it is incurred. Overtime that was not preapproved is not paid.

Previously reported observations and recommendations remaining unresolved:

None.

Current Assessment

The current procedures and internal controls are well-designed and commonly found in other school districts. However, due to the large number of recent and upcoming employee turnover in the Business Office, the District should ensure the existing processes and controls are followed during the change. The risk rating remains at *Medium*

EMPLOYEE BENEFITS - Risk Score: 68

The largest potential risks in this area for any District are providing benefits for individuals who are no longer eligible, and failure to properly bill the individuals who are required to contribute to their benefits. In this case, as a self insured District, there is the additional risk of paying for claims that are billed to the District that are inaccurate, or are for ineligible enrollees.

Newly noted observations and recommendations:

None.

Previously reported observations and recommendations remaining unresolved:

None.

Current Assessment

There were no material changes to the procedures or processes relating to benefits and we did not note any significant deficiencies. However, as described in the Human Resources section of this report, the most significant event relating to this area was the recent turn-over in the Human Resources department. We recommend the District Office continue to support and review the benefits process when needed. Risk remains at *Medium*.

PURCHASING AND PAYABLES- Risk Score: 66

Purchasing and Payables are assessed together due to their close relationship. The District follows New York State purchasing regulations. We reviewed the procedures and documentation for purchases of supplies, employee reimbursements, and contract purchases. As with human resources and payroll, this area's rating is affected by its significant dollar value and its susceptibility to fraud.

Newly noted observations and recommendations:

None.

Previously reported observations and recommendations remaining unresolved:

- 1) Observation: The District does not utilize the Positive Pay feature with the bank. This feature allows the District to upload a file of all vendor checks to the bank, so that the bank will only cash checks on that list.

Recommendation: We recommend the District set up this feature with the bank.

- 2) Observation: The Accounts Payable Clerk has the ability to change vendor information in Finance Manager. The employee responsible for paying vendors should not be able to edit vendor information.

Recommendation: Changes to vendor to information should be done by the Purchasing Agent.

- 3) Observation: Currently the District does not require a dual signature on checks over a certain threshold. As an added level of protection some districts require dual signature over a certain threshold.

Recommendation: We recommend the District consider implementing two signatures on checks in excess of Board determined amount.

- 4) Observation: The District's Claims Auditor performs the audit of claims subsequent to the printing of checks.

Recommendation: Reviewing claims before they are printed would cut down on the number of times it is necessary to void and reissue checks. If the claims are audited before the printing of checks, the actual checks should be matched against the warrant after they are printed to ensure that the checks written are in accordance with what was approved by the Claims Auditor. The original checks should be included with the claims packets so that the Claims Auditor has assurance that the checks have not already been mailed.

Current Assessment

Since our last risk assessment, the Accounts Payable Clerk left the District and was filled temporarily with an existing employee. We did not note any evidence of weakness in controls or procedures after the staff turnover. The current procedures and internal controls are well-designed. However, due to the large number of recent and upcoming employee turnover in the Business Office, the District should ensure the existing processes and controls are followed during the change. The risk rating remains at *Medium*

FACILITIES AND CAPITAL ASSETS - Risk Score: 65

Maintenance is an important part of keeping the District up and running. The District employs skilled maintenance and custodial workers for the repair and maintenance of the District's buildings and grounds.

Newly noted observations and recommendations:

- 1) Observation: The facility usage process is done manually.
Recommendation: The best practice process is to automate the process using School Dude. We noted at a neighboring school district use it for the entire process and noted how well it works. Since the District already has School Dude for its work order system, the District should consider automating the process.

Previously reported observations and recommendations remaining unresolved:

None.

Current Assessment

Since our last risk assessment, there have been no material changes in the processes over Facilities and Capital Assets. By the end of the 2015/2016 school year, the Director of Buildings and Grounds will be resigning. As stated previously in other areas, change in employee can increase inherit risks if there is a learning curve associated with the new employee and it can also bring a new perspective on processes. In the future it may be beneficial for the District to conduct an intensive review of this area. The risk level remains at *Medium*

FOOD SERVICE - Risk Score: 58

Food service is run by an independent vendor (Aramark). This limits the need for the District to manage this area of operations. Although this area is handled by an outside vendor, this is where the majority of cash changes hands within the District. Therefore, strong controls are necessary to ensure that the possibility of fraudulent activity is limited.

Newly noted observations and recommendations:

None.

Previously reported observations and recommendations remaining unresolved:

None.

Current Assessment

Because Aramark handles the majority of the food program, and provides enough documentation of activity for the District to feel comfortable that they are reporting revenues correctly, Food Service was rated at *Medium Risk*.

Summary of Reviewed Areas

EXTRA CLASSROOM ACTIVITIES – Risk Score: 61

Although this is not a part of the District's budget, Extra Classroom Activities is an area where student funds may be handled by many individuals before being deposited into the clubs bank account. Although the dollar amount is relatively low, this is an area where the risk of theft can be high.

Newly noted observations and recommendations:

None.

Previously reported observations and recommendations remaining unresolved:

- 1) Observation: The Extra Classroom Treasurer currently uses Excel to track cash balances as well as detail of receipts and disbursements. Disbursement checks are manually typed on a typewriter. Because of the manual nature of the books it is difficult to generate reports by club, or to perform transaction searches.
Recommendation: We suggest the District implement an accounting software package such as, "Schoolbooks." Using accounting software would reduce the amount of time necessary to perform the extra classroom function. It would also drastically improve reportability. Checks can be printed from this system which eliminates redundancies such as typing the check, and then having to separately "book" it to a ledger.

Current Assessment

Although this is an area where cash changes hands, we noted good overall controls. The District has not performed an intensive review of this area, and should consider an intensive review in the future. The Risk Level of *Medium* is unchanged.

REVENUES AND RECEIPTS - Risk Score: 55

This area includes incoming funds from a number of sources as well as inter-account transfers. When reviewing the District's procedures in this area, we reviewed different methods in which money is received and how it is recorded, what the different revenue sources are and how money is moved from one account to another.

Newly noted observations and recommendations:

None.

Previously reported observations and recommendations remaining unresolved:

None

Current Assessment

Overall, the District has good internal controls over the receipt of funds and the protection of money. The risks of cash misappropriation are low, due to the minimal amount of cash received. The procedures for revenue receipt, bank reconciliations, transfers, budgeting and reporting are all segregated. The area's risk score is affected primarily by its monetary size and nature, and therefore would never be considered low risk. The Risk Level remains at *Medium*.

INFORMATION TECHNOLOGY - Risk Score: 52

Technology is ever changing and so are its dangers. Based on our interviews we believe that the District's systems and data are secure, but that can change in an instant. Technology must be monitored closely and vigilantly at all times, for the safety of information, as well as the students using computers within the District.

Newly noted observations and recommendations:

None

Previously reported observations and recommendations remaining unresolved:

None

Current Assessment

Every year the District evolves with technology as needed. Imperative upgrades such as migration to Windows 10 and upgraded firewall are done when necessary. The processes for purchasing and safeguarding physical equipment and information have remained the same. Due to its nature, it is nearly impossible for the risk level of this area to ever be at a low level. The Risk Level remains at *Medium*.

GOVERNMENT AID AND GRANTS - Risk Score: 47

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.

Newly noted observations and recommendations:

None

Previously reported observations and recommendations remaining unresolved:

None

Current Assessment

Due to the controls in place, and the nature of receipts from grants (electronic wires), and Government required reporting, we were able to rate this area as *Low Risk*.

TRANSPORTATION - Risk Score: 50

The District's transportation operation has a third party contracted vendor to provide transportation for District students. Bus routes and scheduling of pickups are developed internally. As part of the agreement with the third party vendor, the District is responsible for purchasing fuel for the vendor's routes. The total fuel responsibility of the District is capped by the contract based on live miles. Additionally the District stores fuel on its premises for its own vehicles and has its own pumps.

TRANSPORTATION (Continued)

Newly noted observations and recommendations:

None

Previously reported observations and recommendations remaining unresolved:

None

Current Assessment

Since our last risk assessment the District's Transportation Director left the position. The position has been vacant since then, but the processes have been assumed by other Business Office employees. The District continues to use a third party vendor for all of its busing. While the Transportation area generally rates low risk, the score increased slightly due to the employee turnover and vacancy left in the position. The risk score increased from 48 to 50 and has a *Medium Risk* level.

BOARD GOVERNANCE

At the suggestion of the Audit Committee, the Board authorized an intensive review of Board Governance. The review was conducted on the District Board policies and Board processes and focused on whether they were properly established and followed by the Board and Committees. Our report, dated June 30, 2015, noted the District has good Board policies in place, and follows them to the best of their abilities. Our report also compared the District's Board policies and Board processes to neighboring school districts (best practices). In that comparison the District was on par with many districts. The review also noted areas for potential improvement. The details of those findings can be found in that report. We commend the District for performing a review of this area. This is an area rarely volunteered for an intensive review.

The observations and recommendations noted in that report:

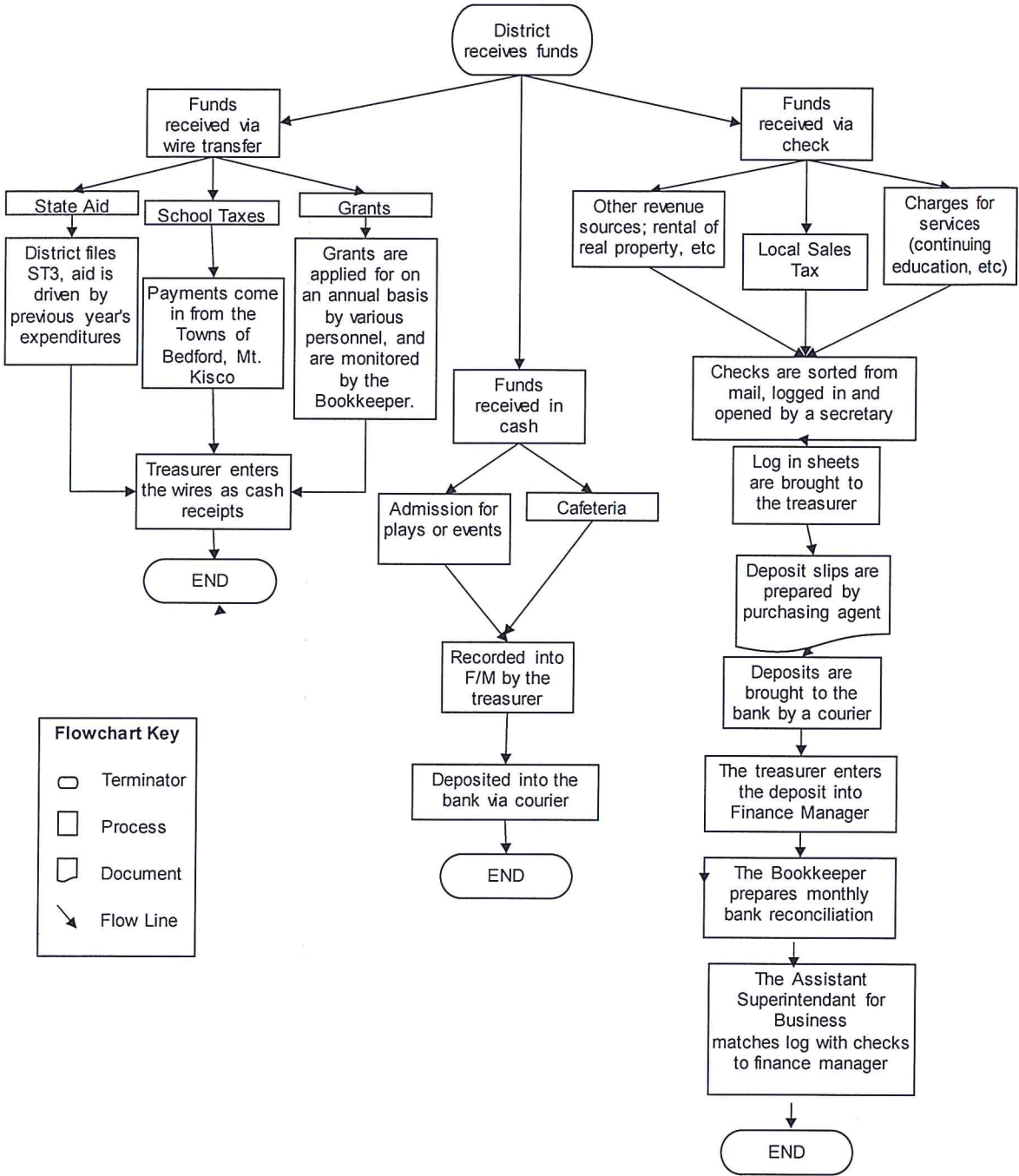
- 1) Observation: There is no policy requiring committees to keep meeting minutes.
Recommendation: In an effort to better document the actions of the meeting, the District should consider adopting a policy requiring all committees to keep minutes of their meeting and submit them periodically, to the District Clerk.
- 2) Observation: The current Board policy only implies the committee's authority over District Staff, ability to modify or adopt policies and authority to bind.
Recommendation: The District should consider further defining each committee's authority over District Staff.
- 3) Observation: Board members rarely submit reimbursements. However when they do submit for reimbursement, it is approved by the Superintendent. This process can cause a potential conflict scenario of an employee approving for a supervisor under duress.
Recommendation: The District should modify its reimbursement policy to require Board Members to approve each other's reimbursements.

BOARD GOVERNANCE (continued)

- 4) Observation: The District policy on Committee communication is vague. It is unclear how a committee should appropriately report to the Board and how it is documented.
Recommendation: The District should further define the communication hierarchy for Committee members and how it should be documented

- 5) Observation: There is no central open items list that Board members can refer to track progress of Board task/issues/agendas.
Recommendation: The District should consider developing an unresolved task list for Board items that are ongoing (similar to the Corrective Action Plan sheet kept by the business office). This will help ensure tasks/items are addressed and resolved timely.

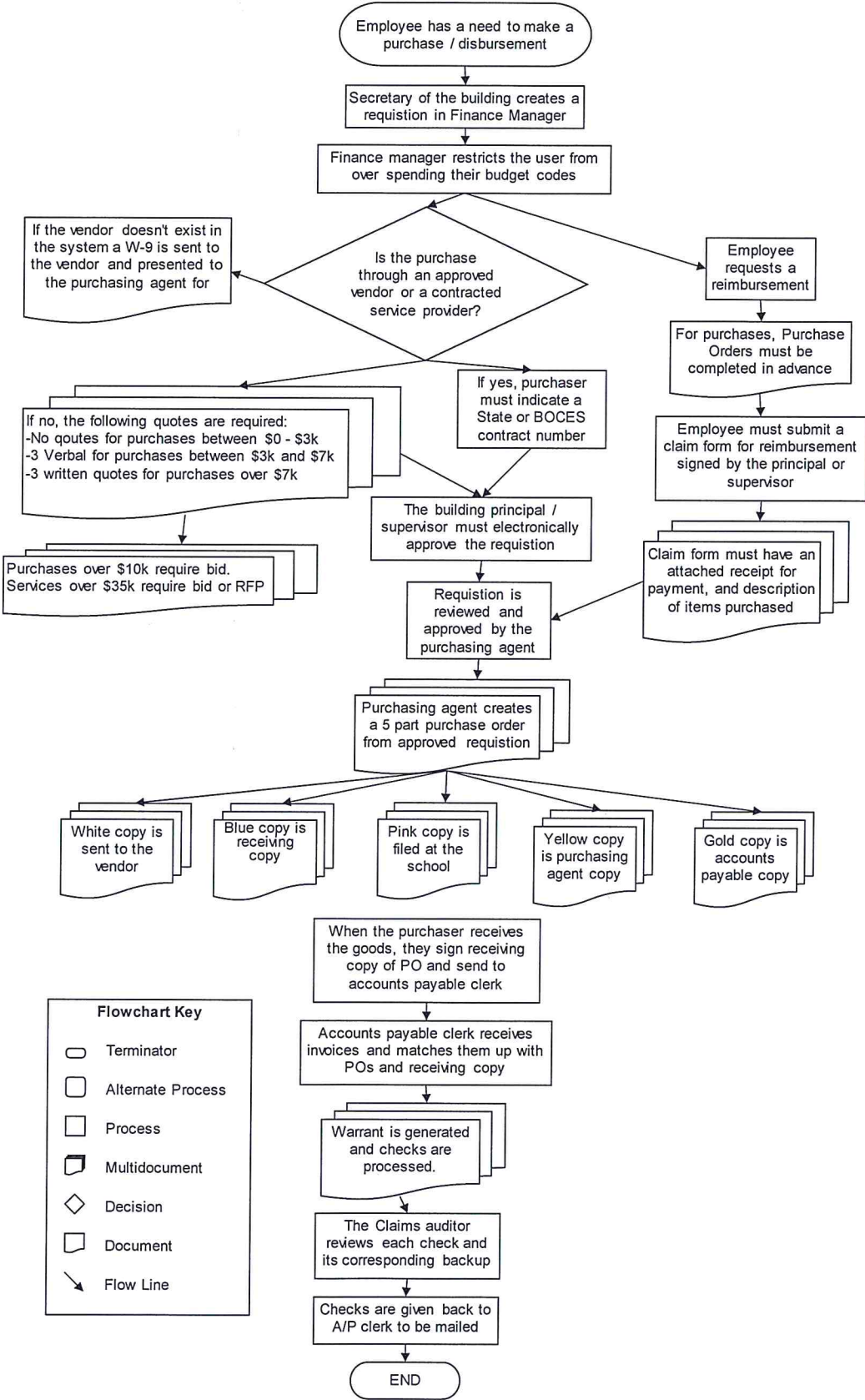
Flow Chart of Receipts Cycle



Flowchart Key

- Terminator
- Process
- Document
- Flow Line

Flow Chart of Purchase Cycle

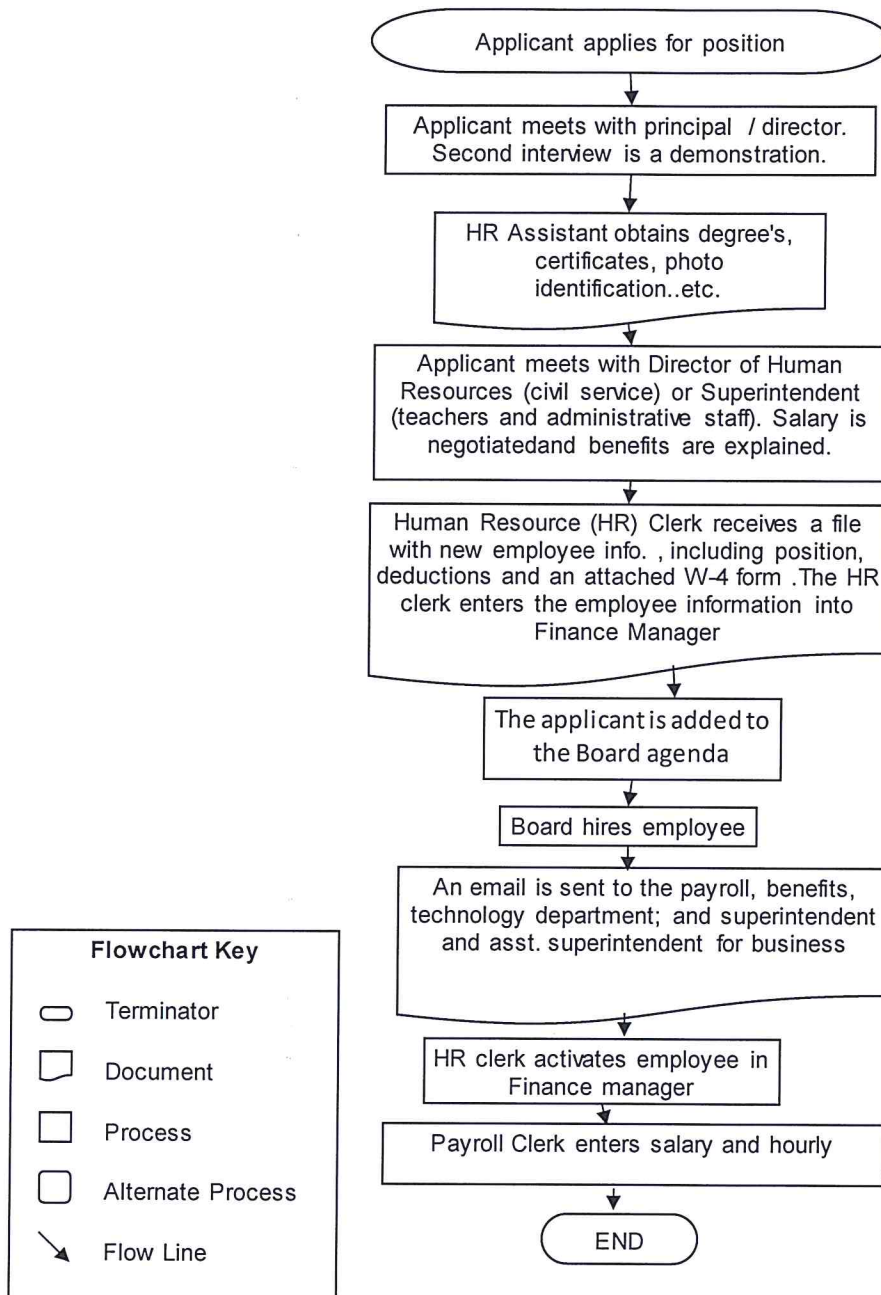


Flowchart Key

- Terminator
- Alternate Process
- Process
- ▭ Multidocument
- ◇ Decision
- ▭ Document
- ↘ Flow Line

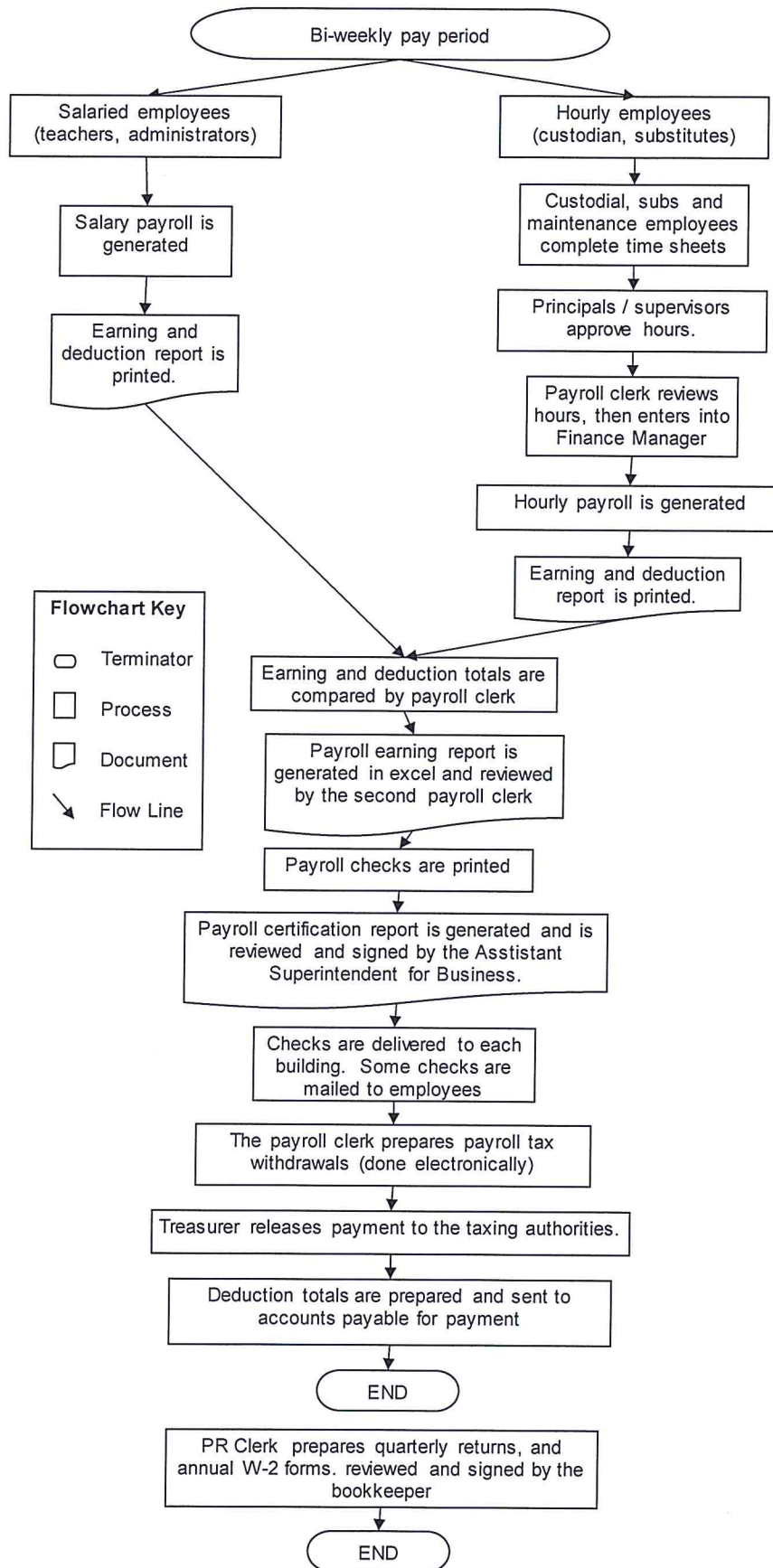
Bedford Central School District

Flow Chart of Human Resources Cycle

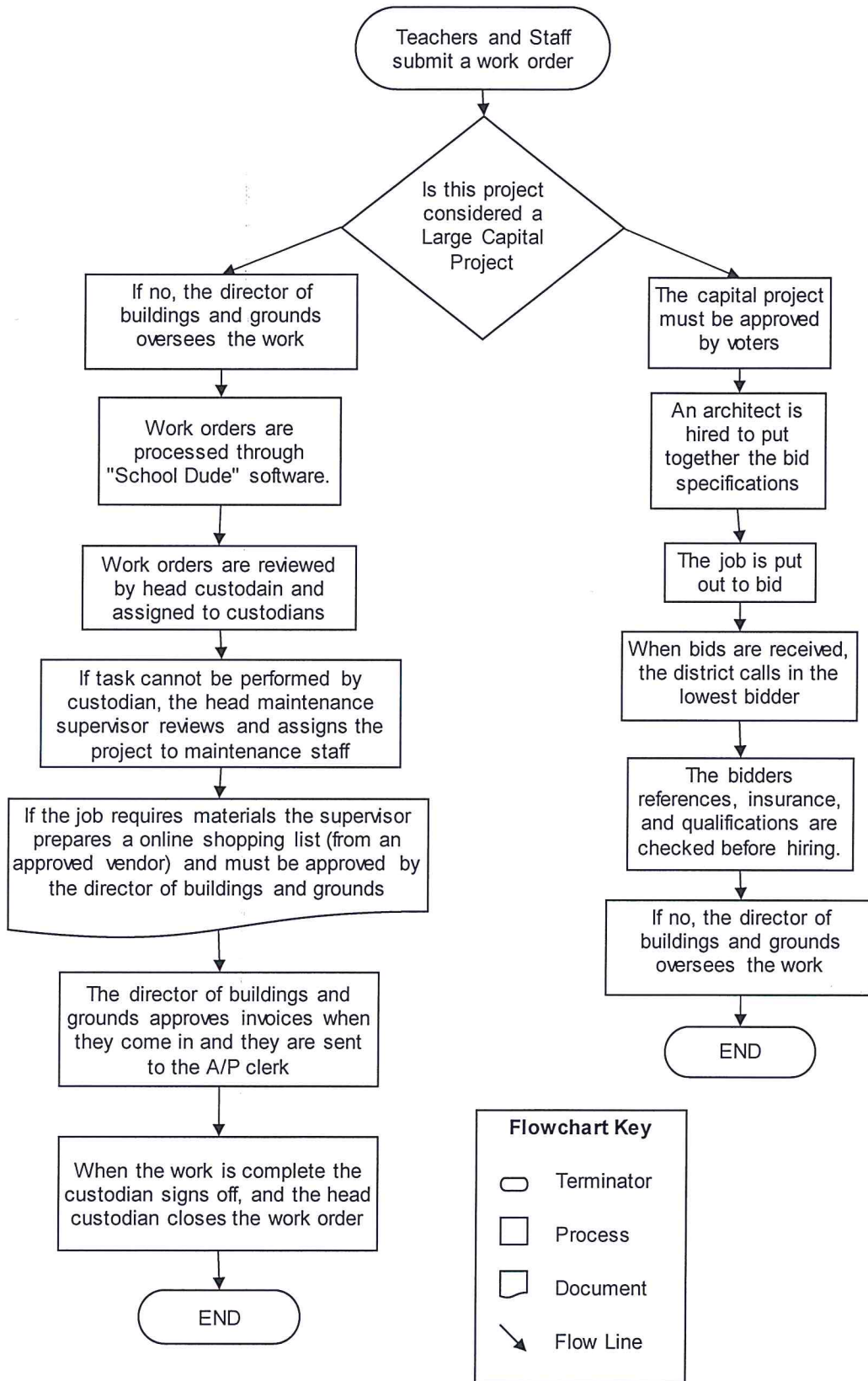


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Flow Chart of Payroll Cycle



Flow Chart of Capital Projects



Flow Chart of Food Service

