



Bedford Central School District

**Initial Risk Assessment
Pertaining to the Internal Controls
of District Operations**

March 2022

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES**

The Board of Education
Bedford Central School District

We have performed the procedures enumerated below, which were agreed to by the Bedford Central School District (the "District"), solely to assist the District. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. 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 the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We have developed our Initial Risk Assessment by performing certain internal audit procedures pertaining to the time period ending March 2022. The Initial Risk Assessment and related internal audit plan concentrate on the following key internal control areas:

- Governance and Planning
- Budget Development
- Accounting and Reporting
- Revenue and Cash Management
- Grants
- Payroll
- Human Resources
- Benefits
- Purchasing and Related Expenditures
- Facilities Maintenance
- Capital Projects
- Fixed Assets
- Food Service
- Extraclassroom Activity Fund
- Information Systems
- Cybersecurity
- Student Data Management
- Pupil Personnel Services
- Transportation
- Security and Safety
- Insurance / Risk Management

We are available to discuss this report with the Board of Education or others within the District at your convenience.

These agreed-upon procedures do not constitute an examination or audit of the District's financial statements. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the School District and Board of Education and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Very truly yours,

Nawrocki Smith LLP

April 6, 2022

Bedford Central School District
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March 2022

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RISK ASSESSMENT OVERVIEW

The Risk Assessment report provides a presentation of our view of the District's risk pertaining to its financial operations. It gives the District's administration the information necessary to help optimize its overall performance. The report identifies, expresses, and prioritizes the key program risks so that the District's administration can focus on those areas most critical to its success. This analysis is used to define the District's risk profile. It will provide an overview of the key risks facing the District's financial operations.

In accordance with the laws of New York, 2005, Chapter 263, all school districts and BOCES were required to establish an internal audit function no later than July 1, 2006 and be in operation no later than December 31, 2006. This function should include, at a minimum, the development of a risk assessment of district operations, including but not limited to:

- A review of financial policies, procedures and practices.
- An annual review and update of such risk assessment.
- Annual testing and evaluation of one or more areas of the District's internal controls.
- Preparation of reports which analyze significant risk assessment findings.
- Recommended changes for strengthening controls and reducing identified risk; and specifying time frames for implementation of such recommendations.

Pursuant to Section 170.12 – Regulations of the Commissioner of Education - School District Financial Accountability, each school district must prepare a corrective action plan, approved by the Board of Education in response to findings to final reports issued by the internal auditor. This plan should include expected dates of implementation and should be filed with the New York State Education Department.

INTERNAL AUDIT OBJECTIVES

The objectives of our engagement are as follows:

- Develop an understanding of the critical business processes of the District within each functional area.
- Identify key risks based on the understanding of the business processes and stated business rules.
- Identify stated controls that are currently in place to address those risks and ascertain if they are operating effectively.
- Recommend improvements in internal controls.

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SCOPE AND METHODOLOGY

The Board of Education has engaged Nawrocki Smith LLP as the District's internal auditor as of December 2021. In compliance with New York State Laws, we have performed a risk assessment with respect to policies, procedures, and internal controls pertaining to the District's financial operations. Our risk assessment was performed in order to assess risk areas within the District and to determine an internal audit plan for the fiscal year 2021/2022 and thereafter. This risk assessment will be updated annually to reflect any changes in the current risk environment and the existing internal audit plan.

Our risk assessment consisted of the following:

- Perform interviews of administration and other appropriate personnel.
- Document procedures within key functional areas.
- Identify key controls and perform audit tests of those controls.
- Make observations and recommendations pertaining to key controls.
- Identify and review strategic plans and organization structure.
- Analyze risks that are a threat to the achievement of objectives.
- Create a risk profile and internal audit plan for 2021/2022 and thereafter.

We have also evaluated and considered the following within our overall risk assessment:

- District Policies and Procedures.
- Recent Focus of State Comptroller Audits.
- Board of Education/Audit Committee Meetings.
- Materiality to Financial Statements.
- Changes in Management or Key Personnel.
- Financial Reports Provided to the Board of Education.
- External Auditor Management Letters.
- District Corrective Action Plans.
- Organizational Chart and Job Descriptions.

INTERNAL AUDIT COVID CONSIDERATIONS

As Districts are challenged in carrying out certain internal control procedures during the COVID pandemic, our risk assessment included the following environmental considerations:

- Has Management's risk tolerance increased, allowing for a lower level of control effectiveness?
- Have staff changes (reorganization, furloughs, and terminations) impacted controls, processes, performance, and increased opportunities for potential fraud?
- Have segregation of duty conflicts been managed with changes in people and processes?
- Has Management assessed the impact on key processes and controls, including technology?
- Have there been any material changes in internal controls over financial reporting that will require disclosure in the previous and upcoming audit report?

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INTERNAL AUDIT INITIAL RISK ASSESSMENT SUMMARY

We have analyzed twenty-one (21) Business Process areas within the District and have developed an internal audit plan based upon our initial assessment of each area. Each of the twenty-one (21) Business Processes contains multiple business process categories for which an extensive cycle analysis will be performed during the proposed time period noted within the risk rating and internal audit plan. The plan as presented will be revised each year based upon an annual risk assessment update and events/requests which impact the priority of future internal audit services.

The results of our initial risk assessment are summarized below and in the tables presented on pages 5 through 7. We have utilized a “Low,” “Moderate,” and “High” control risk rating assessment scale of the organization.

<u>Rating</u>	<u>2021/2022</u>
High	- 0.00%
Moderate	15 16.30%
Low	77 83.70%
Total	92 100.00%

(*) Refer to pages 5 through 7 for business process rating changes.

Our March 2022 initial risk assessment contains seventeen (17) recommendations, as follows:

<u>Business Process</u>	<u>Recommendation(s)</u>
General Governance & Planning	1
Budget Development & Monitoring	1
Accounting & Reporting	2
Revenue & Cash Management	1
Payroll	3
Benefits	1
Purchasing & Related Expenditures	1
Fixed Assets	1
Extraclassroom Activity Fund	1
Information Systems	1
Cybersecurity	2
Student Data Management	2
Total	17

Based on the work performed and discussion with the District, we have summarized below the internal audit plan for the fiscal years 2021/2022 and 2022/2023:

<u>2021/2022 Cycle Reviews:</u>	<u>2022/2023 Planned Internal Audit Services</u>
• Financial Application User Permissions	• External Audit Corrective Action Plan Monitoring
	• Other Internal Audit Services at the request of the District/BOE
	• Annual Risk Assessment Update as of March 2023

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Risk Rating and Internal Audit Plan

√ = Internal Audit Services Provided	X = Proposed Business Cycle Review
★ = Business Cycle Review Complete	T = Proposed Key Control Testing

	Business Process	Business Process Categories	RISK		YEAR OF SERVICE	
			Inherent	Control	21-22	Subsequent
1	Governance and Planning	1 Governance Environment	H	L		X
		2 Control Environment / Policies & Proc.	H	L		X
2	Budget Development	3 Budget Development	H	L		X
		4 Budget Monitoring & Reporting	H	M		X
3	Accounting & Reporting	5 Financial Accounting and Reporting	H	M		X
		6 External/Internal/Claims Auditing	H	L		X
		7 Fund Balance Management	H	L		X
4	Revenue and Cash Management	8 Real Property Tax	M	L		X
		9 State Aid	H	L		X
		10 Out of District Tuition/Reimb. Exp.	M	L		X
		11 Use of Facilities	L	L		X
		12 Donations	M	L		X
		13 Vending Machines	H	L		X
		14 Cash Receipts	H	L		X
		15 Cash & Investment Management	H	L		X
		16 Petty Cash	L	M		X
		17 Bank Reconciliations	H	L		X
18 Online Banking	H	L		X		
19 Accounts Receivable	H	M		X		
5	Grants	20 General Processing	H	L		X
		21 Grant Application	M	L		X
		22 Allowable Costs & Expenditures	H	L		X
		23 Monitoring	M	L		X
		24 Reporting	H	L		X
6	Payroll	25 Payroll Disbursements	H	L		X
		26 Overtime Reporting	H	M		X
		27 Payroll Accounting & Reporting	H	L		X
		28 Payroll Tax Filings	H	L		X
		29 Payroll Reconciliation	H	M		X
7	Human Resources	30 Employment Requisition/Hiring	H	L		X
		31 Personnel Evaluation	H	L		X
		32 Termination	H	L		X
		33 Employee Attendance	H	L		X

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Risk Rating and Internal Audit Plan (Continued)

√ = Internal Audit Services Provided	X = Proposed Business Cycle Review
★ = Business Cycle Review Complete	T = Proposed Key Control Testing

	Business Process	Business Process Categories	RISK		YEAR OF SERVICE		
			Inherent	Control	21-22	22-23	Subsequent
				21-22			
8	Benefits	34 Eligibility	H	M			X
		35 Benefit Calculations	H	L			X
		36 Patient Protection & Affordable Care Act	H	L			X
		37 Retiree Benefits	H	M			X
		38 ERS/TRS	H	L			X
9	Purchasing and Related Expenditures	39 PO System & Vendor Database	H	M			X
		40 Purchasing Process	H	L			X
		41 Payment Processing	H	L			X
		42 Employee Reimbursements	H	L			X
		43 Credit Cards	H	L			X
10	Facilities Maintenance	44 Facilities Maintenance/Work Orders	H	L			X
		45 Staff Supervision	M	L			X
		46 Preventive Maintenance	M	L			X
		47 Coordination with Outside Vendors	M	L			X
11	Capital Projects	48 Construction Planning & Monitoring	H	L			X
		49 Capital Project Funding & Payments	M	L			X
		50 Recordkeeping & Reporting	M	L			X
12	Fixed Assets	51 Inventory/ Capitalization Policy	H	L			X
		52 Acquisition and Disposal	H	L			X
		53 Inventory Process & Recordkeeping	H	M			X
13	Food Service	54 Sales Cycle and System	M	L			X
		55 Inventory and Purchasing	M	L			X
		56 Free & Reduced Meals	M	L			X
		57 Federal and State Reimbursement	H	L			X
		58 Financial Reporting & Monitoring	H	L			X
14	Extraclassroom Activity Fund	59 General Controls	H	L			X
		60 Revenue	H	L			X
		61 Expenditures	M	L			X
		62 Reporting	M	M			X

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Risk Rating and Internal Audit Plan (Continued)

√ = Internal Audit Services Provided	X = Proposed Business Cycle Review
★ = Business Cycle Review Complete	T = Proposed Key Control Testing

	Business Process	Business Process Categories	RISK		YEAR OF SERVICE	
			Inherent	Control	21-22	Subsequent
15	Information System	63 Governance	H	L		X
		64 Inventory	H	L		X
		65 Network Security	H	L		X
		66 Application Security	H	M	X	
		67 Physical Security	H	L		X
		68 Disaster Recovery	H	M		X
16	Cybersecurity	69 General Controls	H	L		X
		70 Information & Asset Security	H	L		X
		71 Vulnerability Assessment	H	L		X
		72 Incident Response & Recovery	H	L		X
17	Student Data Management	73 Registration & Enrolment	H	L		X
		74 Student Attendance	H	L		X
		75 Student Performance	H	M		X
		76 Student Eligibility	H	M		X
18	Pupil Personnel Services	77 Budgeting and Planning	H	L		X
		78 STAC Reimbursement	H	L		X
		79 Medicaid Reimbursement	H	L		X
		80 RFP and Contracts	H	L		X
19	Transportation	81 Fleet Inventory and Maintenance	H	L		X
		82 Bus Routing and Planning	H	L		X
		83 Labor and Supervision	H	L		X
		84 Contract Management	H	L		X
		85 Federal and State Reimbursement	H	L		X
20	Safety & Security	86 Plan Development & Strategy	H	L		X
		87 Building Access & Security System	H	L		X
		88 Compliance and Incident Reporting	H	L		X
		89 Safety & Security Monitoring	H	L		X
21	Insurance / Risk Management	90 General	H	L		X
		91 Policy Management	H	L		X
		92 Claims Reporting	H	L		X

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Inherent Risk - Inherent risk pertains to the overall school district industry. Inherent risk is the risk of a material misstatement that may occur assuming the absence of internal controls.

Control Risk - Control risk pertains specifically to the Bedford Central School District. Control risk is the risk that a material misstatement will not be detected and corrected by Management's internal controls on a timely basis.

NEXT STEPS

Our future audits in each area noted above will include an in-depth evaluation and validation testing of key controls to ensure the operating effectiveness of these controls. Upon completion of our evaluation of each area, we will be providing the District with a report containing observations and recommendations to improve the internal control environment as well as a narrative of the procedures and key controls within those procedures.

The following sections of this report provide a summary of our initial observations and recommendations pertaining to each area within the financial and operational aspects of the District. These observations and findings are based upon the procedures performed as noted within the "Scope and Methodology" section of this report.

1.GOVERNANCE AND PLANNING

The objective of our risk assessment within governance and planning is to assess whether controls are in place to assist the District's operations and objectives are effectively and efficiently met, laws and regulations are complied with, resources are adequately safeguarded, and efficiently used, and reliable data is obtained, maintained, and accurately and fairly disclosed in reports. We interviewed key personnel and reviewed pertinent documentation to assess that this functional area has the proper internal controls.

Summary of Controls

- The District is governed by seven (7) Board of Education members. Six (6) members have completed the required six hours of training on fiscal oversight, accountability, and fiduciary responsibilities within the first year of their term. The seventh new Board member is in the process of completing the required training by June 2022.
- The official minutes of the Board of Education indicate for each meeting the time of convening, members present and absent. They record the "yes" or "no" votes on each resolution and indicate the required Board of Education action on the appointment and resignation of employees. The official minutes are currently up to date and are written in a clear and concise manner.
- The Board of Education has adopted a code of ethics for officers and employees. A copy of the policy is provided to each employee at orientation.
- The District maintains an organizational chart by department to indicate the responsible parties.
- The District has a policy manual that is uploaded on the District's website. The policies include business management functions and responsibilities. When applicable, the policies contain legal references on which the policies are based. The District subscribes to the New York State Board Association to obtain updates of required fiscal management policies on an ongoing basis. The District is in the process of updating its policies regarding purchasing and budget transfers.

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Observations/Recommendations

1. Documented guidelines regarding accounting and reporting, revenue and cash management, accounts payable, human resources, and payroll are not in place. Current procedures are carried out based on past practices and verbal guidelines provided by prior and current administration and employees.
 - *The Business Office and Human Resource Department should develop formal documented guidelines regarding accounting and reporting, revenue and cash management, accounts payable, human resources, and payroll procedures. Procedures should be reviewed annually for training purposes and to ensure that responsibilities are adequately performed at the Administrative Offices and comply with District policies.*

2.BUDGET DEVELOPMENT

The objective of our risk assessment within the budget development area is to assess whether proper internal controls are in place regarding how the District monitors the current year’s budget, develops next year’s budget, and the methodology for forecasting and monitoring fund balance. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has the proper internal controls.

Summary of Controls

- We noted variances between the actual and budgetary general fund revenue and expenditures during fiscal years 2018/2019 through 2020/2021 as follows:

<i>General Fund</i>	<i>Revenue (GF)</i>			<i>Expenditures (GF)</i>		
	2018/2019	2019/2020	2020/2021	2018/2019	2019/2020	2020/2021
Budget	133,531,422	138,440,208	138,425,306	137,341,177	140,694,013	145,365,135
Actual	133,857,892	139,069,299	142,820,468	136,685,539	135,187,779	141,164,860
Difference	326,470	629,091	4,395,162	(655,638)	(5,506,234)	(4,200,275)
<i>% Difference</i>	<i>0.24%</i>	<i>0.45%</i>	<i>3.18%</i>	<i>-0.48%</i>	<i>-3.91%</i>	<i>-2.89%</i>

(GF) – General Fund

Source: Financial Statements: Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund For The Years Ended June 30, 2019 through 2021

- The “Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund For The Years Ended June 30, 2021” of the audited financial statements indicated a variance between the budgetary and actual expenditures (GF) of \$4,200,275, or 2.89%, attributed to savings in regular education instruction, programs for children with handicapping conditions, pupil services, and pupil transportation.
- The District has a five-year financial plan that the Business Office reviews annually. The Business Office has not updated the plan during the COVID 19 pandemic period but is planning to do so during the fiscal year 2022/2023.
- The Business Office prepares expenditure projections beginning in December of each year. During the budget season, there is ongoing communication between the Business Office, Administrators, Building Principals, and the Board of Education to refine the District’s budget.
- The Board of Education approves budget transfers over \$10,000. The Assistant Superintendent for Business reviews the to/from accounts, and the District Treasurer posts the budget transfer requests in nVision. We have conducted key control testing in the area of budget transfers, and based upon the testing procedures performed, we noted that the budget transfers were properly requested and approved.

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Observations/Recommendations

2. We analyzed the negative balance report generated by nVision. Internal controls can be improved to prevent the over-commitment of budgetary expenditures within the nVision financial application system.
 - *The Business Office should establish controls in nVision to prevent over-commitment of budgetary expenditures. The system should prevent a requisition order from processing if the encumbered funds are insufficient. The requisitioner should submit a budget transfer request to the Business Office for review and approval to allocate funds for processing the requisition order. For payroll related expenditures, the Building Administrators and the Human Resources Department should communicate and notify the Business Office in a timely manner of any new hires and changes in employee positions and buildings that may impact budgetary lines. This will assist the Business Office in increasing its control of monitoring budgetary expenditures.*

3.ACCOUNTING AND REPORTING

The objective of our risk assessment within the Accounting and Reporting area is to assess whether proper internal controls are in place to assist the District to disclose and report on its financial position properly. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has the proper internal controls.

Summary of Controls

- The District’s total general fund balance increased by \$10,112,615, or 69.54%, from \$14,542,508 in 2018/2019 to \$24,655,123 in 2020/2021. The following table summarizes the net change in fund balance during fiscal years 2018/2019 through 2020/2021:

<u>General Fund</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Total Revenues	133,857,892	139,069,299	142,820,468
<i>Change From Prior Year</i>	<i>N/A</i>	<i>5,211,407</i>	<i>3,751,169</i>
<i>% Change From Prior Year</i>	<i>N/A</i>	<i>3.75%</i>	<i>2.63%</i>
Total Expenditures	134,482,822	132,227,161	138,617,493
<i>Change From Prior Year</i>	<i>N/A</i>	<i>(2,255,661)</i>	<i>6,390,332</i>
<i>% Change From Prior Year</i>	<i>N/A</i>	<i>-1.71%</i>	<i>4.61%</i>
Total Other Uses Interfund Transfers Out	366,824	723,555	208,943
<i>Change From Prior Year</i>	<i>N/A</i>	<i>356,731</i>	<i>(514,612)</i>
<i>% Change From Prior Year</i>	<i>N/A</i>	<i>49.30%</i>	<i>-246.29%</i>
Excess (Deficiency) Of Revenues Over Expenditures	(991,754)	6,118,583	3,994,032
<i>Change From Prior Year</i>	<i>N/A</i>	<i>7,110,337</i>	<i>(2,124,551)</i>
<i>% Change From Prior Year</i>	<i>N/A</i>	<i>116.21%</i>	<i>-53.19%</i>
Beginning Fund Balance	15,534,262	14,542,508	20,661,091
Ending Fund Balance	14,542,508	20,661,091	24,655,123
<i>Change From Prior Year</i>	<i>N/A</i>	<i>6,118,583</i>	<i>3,994,032</i>
<i>% Change From Prior Year</i>	<i>N/A</i>	<i>29.61%</i>	<i>16.20%</i>

*Source: Financial Statements: Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds
For The Years Ended June 30, 2019 through 2021*

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- The Business Office maintains up to date journals and ledgers for all District funds.
- The Board of Education receives the following monthly reports: District Treasurer reports, budget status reports, appropriation and revenue status reports, claim audit reports, and extraclassroom activity fund reports.
- The District has contracted with an independent auditor to review and provide an opinion of the annual financial statements. The external auditor presents an annual report to the Board of Education indicating the audit procedures and a summary of the audit results for the year. The Board of Education reviews and accepts the Annual Financial Report.
- The prior internal auditor conducted audits of the District's internal controls over purchasing, accounts payable, payroll, human resources, and benefits during the fiscal years 2016/2017 through 2020/2021. The District issued its responses and corrective action plan to these audits.

Observations/Recommendations

3. A journal entry form is not in place to formally document the request and approval of journal entries prior to the actual entry.
 - *The Business Office should develop a standardized journal entry form to document the request and approval of journal entries. The journal entry forms should document the requestor, the request date, the account codes, the approver, and the approval date and should be accompanied by an explanation and documentation supporting the transaction. We recommend that all journal entry forms be reviewed and signed by the Assistant Superintendent for Business within one (1) month of processing. This will ensure that journal entries are reviewed and approved in a timely manner. As an alternative, the Business Office should consider cost-benefit options of developing application controls within nVision to electronically review and approve journal entries. The supervisory review of the journal entries prevents an employee from entering improper entries into the system without being detected.*
4. The District's Claims Auditor reviews the claims and the warrants on a bi-weekly basis. However, the Claims Auditor has not made annual presentation to the Board of Education, as required by the District's Policy 1335 – Appointment And Duties Of The Claims Auditor.
 - *According to the Board-approved Policy 1335 – Appointment And Duties Of The Claims Auditor, the claims auditor should make an annual presentation to the Board at a public meeting.*

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4. REVENUE AND CASH MANAGEMENT

The objective of our risk assessment within the Revenue and Cash Management area is to assess whether controls are in place to assist the District ensure that all revenue and cash is properly safeguarded. This area includes revenue (property taxes, state aid, etc.), cash receipts, wire transfers, investments, and petty cash. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has the proper internal controls, such as adequate separation of duties, ongoing monitoring of functions, adequate security, and timely reconciliations

Summary of Controls

- The District's total governmental fund revenue increased by \$9,028,718, or 6.5%, from \$137,903,444 in 2018/2019 to \$146,932,162 in 2020/2021 as follows:

<u>Revenues</u>	<u>2018/2019</u>		<u>2019/2020</u>		<u>2020/2021</u>	
Real Property Taxes	115,096,540	83.46%	120,408,007	84.26%	123,098,057	83.78%
Other Tax Items	7,671,921	5.56%	7,412,796	5.19%	7,571,820	5.15%
Charges For Services	1,395,302	1.01%	1,217,939	0.85%	1,372,483	0.93%
Use of Money and Property	947,754	0.69%	664,597	0.47%	424,354	0.29%
Sale Property and Compensation For Loss	11,339	0.01%	13,254	0.01%	10,124	0.01%
Miscellaneous	1,101,979	0.80%	1,790,498	1.25%	3,036,771	2.07%
State sources	8,135,433	5.90%	8,173,885	5.72%	7,986,897	5.44%
Federal sources	2,528,983	1.83%	2,554,978	1.79%	3,296,944	2.24%
Sales - school lunch	1,014,193	0.74%	667,779	0.47%	134,712	0.09%
Total Revenues	137,903,444	100.00%	142,903,733	100.00%	146,932,162	100.00%
<i>Change From Prior Year</i>	<i>N/A</i>		<i>5,000,289</i>		<i>4,028,429</i>	
<i>% Change From Prior Year</i>	<i>N/A</i>		<i>3.63%</i>		<i>2.82%</i>	

*Source: Financial Statements: Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds
For the Years Ended June 30, 2019 through 2021*

- The Business Office records the District's State Aid revenue once received.
- The Business Office monitors State Aid revenue during the budget process and presents related information within the revenue status reports to the Board of Education.
- The Business Office prepares the invoices for out-of-district tuition, use of facilities, health-related services, and use of cell towers. The following table summarized the District's receivables during fiscal years ending June 30, 2019 through 2021:

<u>Receivables - General Fund</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Accounts Receivable	136,909	342,482	581,572
Due From Other Funds	1,377,216	1,806,570	2,647,250
State And Federal Aid Receivable (*)	1,123,548	1,295,046	1,036,135
Due From Other Governments	1,740,250	1,380,686	1,243,877
Other Receivables	-	-	17,655
Total Receivables	4,377,923	4,824,784	5,526,489
<i>Change from Prior Year</i>	<i>N/A</i>	<i>446,861</i>	<i>701,705</i>
<i>% Change from Prior Year</i>	<i>N/A</i>	<i>9.26%</i>	<i>12.70%</i>

*Source: Financial Statements: Balance Sheet Governmental Funds For The Years Ended June 30, 2019 through 2021
(*) State and Federal Aid Receivables are expected to be repaid within one year.*

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- The Facilities Department monitors the building usage. Internal and external groups are required to fill out an application and provide an insurance certificate for use after school hours. The application is reviewed and approved by the Facilities Director. Additionally, the District utilizes a standard fee, which is communicated to user groups and listed on the permit prior to the actual usage of the facility. The Business Office tracks the certificates of insurance, building usage billings, and receipts.
- The Board of Education accepts and approves monetary and tangible donations over \$1,000, and the approval is documented within the Board of Education minutes. Donations under \$1,000 are reported on a standardized donation form that is reviewed and approved by the Superintendent of Schools. The Business Office records monetary donations in nVision and tangible donations in the District's property ledger, when applicable.
- The District has contracted with its food service management company, Aramark, to manage and maintain the vending machine inventory and collect respective sales. Vending machine sales are converted into meal sales and reported to the Business Office on the monthly operating statements.
- Responsibilities for cash receipt functions are segregated from cash disbursement duties. Cash receipts are logged, recorded, and deposited as needed during a business week. If the funds are not deposited the same day as received, the Business Office maintains the money in a locked safe until deposited. The Assistant to the Assistant Superintendent for Business opens the mail and records receipts within a cash log. The Accounts Payable Clerk prepares the bank deposit slip, the Courier makes the bank deposit, the Bookkeeper reconciles the deposit ticket to the cash log, and the District Treasurer enters the cash receipt into nVision.
- The District places a restrictive endorsement on incoming checks as soon as they are received.
- The Board of Education approves all depository banks utilized by the District at the reorganizational meeting.
- The building level Main Offices maintain a log of cash and checks collected from AP exam fees. Upon receipt, the building level Main Offices forward the collections to the Business Office for bank deposit and recording.
- The Deputy Treasurer performs bank reconciliations monthly. The District Treasurer reviews the reconciliations and performs follow-up procedures with payees for outstanding checks. If no response is received, the Deputy Treasurer voids the checks, and the funds are returned to the District's General Fund.

Observations/Recommendations

5. The Board of Education has approved ten (10) petty cash funds that range from \$50 to \$100 for the Business Office and the various Schools. The District has not established a process to collect the petty cash funds at year-end to review their expenditures and cash on hand balances.
 - ***The District should implement a process whereby petty cash funds are returned to the Business Office at year-end to reconcile the petty cash voucher to the cash on hand and related receipts. The petty cash custodian should prepare a standard petty cash voucher to support the total receipts when the account requires replenishment. The Business Office should review and sign off on the petty cash voucher before forwarding it to the Accounts Payable Clerk processing.***

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5.GRANTS

The objective of our risk assessment within the grants area is to assess that controls are in place to assist the District ensure that all federal and state revenue is properly safeguarded and related expenditures are incurred for approved grant purposes. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has the proper internal controls.

Summary of Controls

- The following table summarizes the budgetary and actual grants revenue as reported on the Federal and State Grant Status Report from the New York State Education Department during the fiscal year 2019/2020:

<u>Project Number</u>	<u>Project Description</u>	<u>Budget Total</u>	<u>Paid To Date</u>	<u>Difference</u>
0425-20-0004	TEACHER CENTERS	27,146	27,146	-
0021-20-3605	TITLE I-PT A-IMPROV ACAD ACHMT F/DIS	522,077	522,077	-
0032-20-1043	IDEA-PART B, SECTION 611	966,474	966,474	-
0033-20-1043	IDEA-PART B, SECTION 619	33,697	33,697	-
0147-20-3605	TITLE IIA,TEACH/PRIN TRNG/RECRUITMT	77,836	77,836	-
0293-20-3605	TITLE IIIA, ELL	43,126	43,126	-
Total		1,670,356	1,670,356	-

Source: Federal and State Grant Status Report from the New York State Education Department

- The Assistant Superintendent for Curriculum and Instructions, Assistant Superintendent for Business, and Bookkeeper periodically monitor the actual costs and compare them to estimated costs.
- The Assistant Superintendent for Curriculum and Instructions and the Bookkeeper prepare the following documents when applying for grants:
 - Form FS-10 – Proposed Budget for a Federal or State Project
 - Form FS-25 – Request for Funds for a Federal or State Project
 - Narratives
 - Data Related To The District’s Demographics
 - Assurances
 - Curriculum Documentation And Plans
- The Bookkeeper reviews grant applications for accuracy.
- The grant applications are reviewed and approved by the Superintendent of Schools. The grant applications are submitted in a timely manner. The District receives grant award notices.
- Deposits from grant funding are traced to the bank statements.
- The Bookkeeper maintains the following documentation within each grant file:
 - Budget Report and Budget Amendments
 - Form FS-25 – Request for Funds for a Federal or State Project
 - Form FS-10F – Final Expenditure Report for a Federal or State Project
 - Correspondence to Business Office and Payroll
 - Reports from nVision indicating revenues and expenditures

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- Payroll certifications for employees whose salary is paid from grants are maintained on file.

Observations/Recommendations

- *No recommendations at this time.*

6. PAYROLL

The objective of our risk assessment was to determine if the internal controls over payroll are adequate to assist the District to ensure that assets are properly safeguarded and that employees are paid accurately. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has the proper internal controls.

Summary of Controls

- The Payroll Office maintains supporting documentation to ensure the accuracy of salaries reported in nVision maintains employee authorizations to support deductions from payroll checks.
- The Payroll Office verifies that new employees are placed on the payroll. Retired, resigned, and leave of absence employees are removed from payroll upon receipt of the Board of Education agenda and the applicable communication letter.
- Forms 941 – Employer’s Quarterly Federal Tax Return is prepared and submitted by the District Treasurer.
- Undistributed payroll checks are returned to the Payroll Office. The Payroll Office reviews the unclaimed paychecks or paystubs to ensure that inactive employees do not receive payments from the District.
- The Superintendent of Schools certifies the District’s payroll on a monthly basis.
- Hourly employees are required to utilize timesheets to document their working hours and attendance. The timesheets are reviewed and approved by the respective building Principal and then forwarded to the Payroll Office for processing.
- The District has developed a process to conduct employee payroll payout audits every first payroll of the fiscal year. The District has not performed a payroll payout audit during the COVID 19 pandemic period. The audit is planned for this current fiscal year.

Observations/Recommendations

6. The District has not developed a process for the building level Administrators to certify their building level payroll.
 - *The District should implement procedures whereby the payroll is verified at the building level by each respective Principal. The Principals should review and certify that individuals listed were employed at their applicable department during the pay period. Verifications of building-level payroll should be returned to and maintained by the Payroll Office and forwarded to the Superintendent of Schools for review as part of the District-wide certification process.*

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7. The District has not developed a standard pre-approval form to document employee requests for overtime and extra pay. It is current practice that direct supervisors request overtime and extra pay for their employees verbally or via emails. Overtime is recorded on individual timesheets that are reviewed and approved by the employee's direct supervisor.
 - *The District should utilize a pre-approval form to document the request and approval of overtime and extra pay work. Prior written authorization should be required for all nonemergency overtime hours and should be granted only for specific and verifiable purposes. In emergencies, supervisors should verbally request/preapprove overtime and extra pay and follow up with a review of overtime and extra pay records to determine the appropriateness of overtime hours incurred. Prior written or verbal approval allows Management to ensure that overtime and extra pay is incurred for a valid and needed purpose, and funding for the nonemergency overtime is provided in the budget.*

8. The payroll comparison report is generated and reviewed by the Senior Payroll Account Clerk for each payroll, who is also responsible for entering any payroll changes into nVision. Payroll comparison reports are not reviewed and approved by an individual outside of the payroll process. Payroll comparison reports indicate changes in salary, pay rate, and deductions.
 - *The Assistant Superintendent for Business, or other designee, should perform a formal review of payroll changes and examine the gross pay of the current to the previous period payroll for reasonableness prior to disbursement. The review process should be documented and signed off by the reviewer. This control will assist the District in increasing its oversight over changes in employment status (e.g., additions and terminations), salary, and wage rates.*

7. HUMAN RESOURCES

The objective of our risk assessment was to determine if the internal controls over personnel are adequate to assist the District to ensure that duties are properly separated and that employees are paid accurately and in accordance with board approval. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has the proper internal controls.

Summary of Controls

- The Human Resources Department posts new positions internally and externally through OLAS. Building level Administrators interview the candidates and make recommendations to the Superintendent of Schools. Prior to the employee appointment, the Human Resources Department performs background checks, fingerprint clearances, credential confirmation, and reference checks. The Board of Education approves the appointment, and the approval is documented within the meeting minutes.

- The Human Resource Department processes the applicable hiring documentation and enters the new employee demographic information into nVision. The Human Resource Department creates a help desk ticket to notify the Information Technology Department of the new hire and provides the Payroll Department with a "Staff Notice" indicating the new employee's salary and benefits enrollment information.

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- The Human Resources Department maintains a confidential personnel file and a hiring checklist for each former and current employee.
- Employees who wish to retire or resign are required to notify the Human Resource Department in writing. The Human Resources Department calculates the leave accruals and the Payroll Department prepares the employee’s final payout calculation based on the employees’ leave accrual balances and related bargaining unit agreements, if applicable. The District Treasurer reviews the calculations for accuracy prior to processing.
- The Human Resources Department maintains a seniority list and salary scale that is shared and reviewed annually by the bargaining union representatives and the building level Administrators.
- Instructional and non-instructional employees document the request and approval of their leave days through an online employee attendance application, AESOP. All District employees can track their leave accrual balances through this system. The Human Resource Department reviews the accrual leave balances of each employee on an annual basis. The review process is conducted by analyzing the date, amount, and type of leave days reported on the leave request forms and in nVision.
- Instructional employees are evaluated in accordance with APPR guidelines. Non-instructional employees receive a formal evaluation from their immediate supervisor. Formal annual evaluation results are reviewed and signed by each employee, as required by the employment agreements.
- The District utilizes an exit checklist when employees are terminated or leave the District.

Observations/Recommendations

➤ *No recommendations at this time.*

8. BENEFITS

The objective of our risk assessment was to determine if the internal controls over benefits are adequate to assist the District to ensure that duties are properly separated, and that employee fringe and Medicare benefits are paid accurately and in accordance with their bargaining unit agreements. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has proper internal controls.

Summary of Controls

- The District’s employee benefits increased by \$4,051,537, or 12.20%, from \$33,221,774 in 2018/2019 to \$37,273,311 in 2020/2021, as follows:

	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Employee Benefits	33,221,774	32,379,593	37,273,311
<i>Change from Prior Year</i>	<i>N/A</i>	<i>(842,181)</i>	<i>4,893,718</i>
<i>% Change from Prior Year</i>	<i>N/A</i>	<i>-2.54%</i>	<i>15.11%</i>

Source: Financial Statements: Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – For The Years Ended June 30, 2019 through 2021.

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- The District offers all full-time employees health, dental, vision, and life insurance coverage.
- The Human Resources Department utilizes eligibility forms indicating newly hired employees, changes in the number of dependents, changes in the eligibility status, and retirees. In the event of a change in the eligibility status, the employee is required to provide supporting documentation such as a marriage certificate, birth certificate, divorce decree, and social security numbers.
- The Human Resources Department removes any benefit payables applicable to an employee on leave of absence. The Human Resources Department sends notifications to the insurance carriers of the cancellation of benefits.
- The District is developing a process to record benefits enrollment data such as single or family coverage and dependent information into nVision.
- The Human Resources Department calculates the benefits payable based on the insurance carrier's premium rates and the employees' bargaining unit or individual employment agreements. The Human Resources Department forwards this information to the Payroll Department to enter the benefits deduction rates into nVision. Each month the Business Office compares billings and employee listings provided by the insurance carriers to the District's payroll deductions and benefits listings within nVision.
- The District distributes Healthcare Exchange Notifications to all employees indicating the availability of the federal mandated health insurance exchanges. The District provides this notification to all new hires as part of the orientation process.
- The District has contracted with a third-party consultant to analyze the District's compliance with the Patient Protection and Affordable Care Act (ACA).

Observations/Recommendations

9. The District currently does not have a designated employee to manage employee benefits. The District is in the process of assessing the cost benefits options of employing an employee to assist in this function. Currently, the Human Resources Department is responsible for onboarding and offboarding employees to health, dental, vision, and life insurance plans and responding to employee inquiries. The Accounts Payable Clerk in the Business Office reviews benefits invoices, manages Workers' Compensation claims, processes Medicare reimbursements, and process insurance related payments. This creates a segregation of duties issue in that one person is carrying the related duties.

The Payroll Office tracks instructional and non-instructional employee retirement benefits within nVision. The Payroll Office reconciles Teacher Retirement System (TRS) monthly and Employee Retirement System (ERS) annually to the nVision employee payroll deduction.

The Business Office issues semi-annually Medicare Part B reimbursement checks to Medicare-eligible retirees of the District upon receipt of a Social Security 1099 Benefits Statement. The District is developing a process of hiring a Benefits Account Clerk to obtain the confirmation forms from the retired employees to confirm the validity of the application and whether the retiree worked for the District.

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- *The District should consider the Benefits Account Clerk to perform the following functions:*
- *Review and reconcile benefits invoices, manage Workers' Compensation claims, and process Medicare reimbursements.*
 - *Track instructional and non-instructional employee retirement benefits within nVision and reconcile Teacher Retirement System (TRS) monthly and Employee Retirement System (ERS).*
 - *Obtain the confirmation forms from the retired employees to confirm the validity of the application and whether the retiree worked for the District.*

The District should consider having Nawrocki Smith review the job description, functions and duties applicable to the Benefits Account Clerk to ensure proper segregation of duties are implemented to minimize control deficiencies and exposure to errors or irregularities.

9. PURCHASING AND RELATED EXPENDITURES

The objective of our risk assessment within the purchasing and accounts payable area is to assess the internal control's in place so that the District's assets are properly safeguarded and that laws and regulations are being followed. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has the proper internal controls.

Summary of Controls

- The Business Office advertises the need for goods and services and requests prospective vendors to submit their bids prior to a selected due date. The Business Office announces vendor services and price proposals at the bid opening and documents the bid results on a vendor summary sheet.
- The District has a purchasing policy that contains the required elements of General Municipal Law. In addition, the District utilizes state, county, and BOCES contracts to reduce the cost of bidding and secure competitive pricing. The Business Office obtains written quotes for purchases not subject to the bid process.
- The District utilizes a purchase requisition module within nVision to generate purchase orders. The District has separated the functions of ordering (Building Level Secretaries), approving requisition (Department Heads and Building Administrators), approving purchase orders (Purchasing Agent), receiving (Building Level Secretaries), invoice processing, (Business Office), and voucher preparation (Business Office) to create appropriate separation of duties.
- The Business Office has established a process of obtaining Form W9 - Request for Taxpayer Identification Number and Certification prior to entering or changing vendor information in the nVision vendor database.
- The Business Office maintains vendor files and applicable payments in alphabetical and numerical order.
- The Claims Auditor reviews claims prior to the payment release on a bi-weekly basis. The Business Office has made continuous efforts to communicate to District employees the need to eliminate, to the extent possible, confirming purchase orders.
- The Business Office secures blank check stock in a locked closet to prevent misuse.

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- The District Treasurer and Deputy Treasurer are the signatories on District checks, maintain custody over the electronic signature file, and utilize individual password-protected signatures to sign checks electronically.
- The District has a policy in place regarding the authorization and reimbursement of conference expenditures. The District utilizes the MyLeaning Plan online platform for District employees to document their request, which the Assistant Superintendent for Curriculum and Instruction approves prior to a conference. For reimbursement purposes, the District employees are required to submit to the Business Office supporting documentation such as invoices and proof of attendance.
- The District has implemented positive pay as a check fraud detection service to monitor checks processed for payment and match them against the District's bank accounts. This affords the District the opportunity to reject unauthorized payments before incurring a loss.

Observations/Recommendations

10. The Business Office reviews the vendor activity in nVision every two years. However, the results of the review are not documented.
- *The District should consider having a complete vendor database analysis conducted by Nawrocki Smith. This will allow the District to assess the current status of the database and at the same time identify solutions for ongoing maintenance of the vendor database. It will also help ensure only vendors with ongoing business activities with the District are active and prevent duplicate payments to vendors with multiple entries in the database.*

10. FACILITIES MANAGEMENT

The objective of our risk assessment was to determine if the internal controls over Facilities are adequate to ensure that duties are properly separated and that the maintenance of facilities is properly managed. We interviewed key personnel and reviewed pertinent documentation to assess whether the functional area has proper internal controls.

Summary of Controls

- The District utilizes a work order system to log, track and monitor the status of periodic maintenance or repair requests. A work order is initiated by the requestor through the system and is forwarded to the Facilities Director, indicating the reasons for maintenance or repair. The Facilities Director forwards the request to a maintenance staff member assigned to perform the work. The maintenance staff member responds to the Facilities Director upon assignment and completion of the work.
- The Facilities Department utilizes Global Compliance Network to provide its staff with professional education and training on OSHA, safety, and security.
- Both Grounds and Maintenance Shops are responsible for the security of their equipment and storage of hazardous materials.
- The Facilities Department is in the process of developing a schedule regarding the routine service calls and preventive maintenance services.

Observations/Recommendations

- *No recommendations at this time.*

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11. CAPITAL PROJECTS

The objective of our risk assessment was to determine if the internal controls over Capital Projects are adequate to assess whether duties are properly separated and that the capital projects are properly managed. We interviewed key personnel and reviewed pertinent documentation to assess whether the functional area has proper internal controls.

Summary of Controls

- The District reported the following capital fund balance as of June 30, 2021:

<u>PROJECT TITLE</u>	<u>Revised Appropriations</u>	<u>Total Expenditures</u>	<u>Unexpended Balance</u>	Methods of Financing				<u>Fund Balance as of 06/30/21</u>
				<u>Proceeds of Obligations</u>	<u>State Aid</u>	<u>Local Sources</u>	<u>Total</u>	
<u>Capitalized:</u>								
13-14 Bond Authorization \$31.8 million	31,828,238	31,630,504	197,734	30,659,647	7,000	1,168,591	31,835,238	204,734
01-02 Interfund transfers	635,000	615,331	19,669	-	-	635,000	635,000	19,669
02-03 Interfund transfers	470,000	470,000	-	-	-	470,000	470,000	-
04-05 Interfund transfers	1,314,005	1,239,504	74,501	-	-	1,314,005	1,314,005	74,501
06-07 Interfund transfers	1,004,464	969,464	35,000	-	-	1,004,464	1,004,464	35,000
10-11 Interfund transfers	255,000	235,000	20,000	-	-	255,000	255,000	20,000
14-15 Interfund transfers - capitalized	57,851	57,851	-	-	-	57,851	57,851	-
14-15 Canon Lease - Copiers	591,301	591,301	-	591,301	-	-	591,301	-
17-18 Interfund transfers	349,060	331,320	17,740	-	-	349,000	349,000	17,680
18-19 Interfund transfers	200,000	176,960	23,040	-	-	200,000	200,000	23,040
17-18 Smart School Bond Act	76,088	76,088	-	-	76,088	-	76,088	-
17-18 Computer Lease	675,368	675,368	-	675,368	-	-	675,368	-
18-19 Computer Lease	666,067	666,067	-	666,067	-	-	666,067	-
18-19 Buildings & Grounds Equipment	153,652	153,652	-	153,652	-	-	153,652	-
19-20 Buildings & Grounds Equipment	135,008	135,008	-	135,008	-	-	135,008	-
19-20 Canon Lease - Copiers	410,101	410,101	-	410,101	-	-	410,101	-
19-20 Computer Lease	764,980	764,980	-	764,980	-	-	764,980	-
20-21 Computer Lease	782,669	782,669	-	782,669	-	-	782,669	-
19-20 Interfund Transfers (Gen Hookups)	500,000	21,738	478,262	-	-	500,000	500,000	478,262
Total Capitalized	40,868,852	40,002,906	865,946	34,838,793	83,088	5,953,911	40,875,792	872,886
<u>Not capitalized:</u>								
16-17 Capital Lease - Computers	2,503,166	2,503,166	-	2,503,166	-	-	2,503,166	-
16-17 Smart School Bond Act	487,116	486,648	468	487,116	-	-	487,116	468
15-16 Interfund transfers - not capitalized	319,149	319,149	-	-	-	319,149	319,149	-
BOCES - Capital Improvements	1,704,110	1,704,110	-	1,435,000	-	108,048	1,543,048	(161,062)
Total Not Capitalized	5,013,541	5,013,073	468	4,425,282	-	427,197	4,852,479	(160,594)
Total	45,882,393	45,015,979	866,414	39,264,075	83,088	6,381,108	45,728,271	712,292

Source: Capital Projects Fund Project-Length Schedule Inception of Project Through June 30, 2021

- The District maintains a Building Survey Conditions Report every five (5) years.
- Construction projects receive Board of Education approval prior to commencement. The Business Office, Facilities Department, and Architect meet during the initial stages of project development and regularly thereafter. The Architect submits project plans to the State in a timely manner.

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- During the construction phases, the Facilities Department, Architect, and Construction manager, when applicable, monitor the status of the capital project. Any change orders are reviewed and approved by the Facilities Committee. Invoices are reviewed by the Architect, Construction Manager, Facilities Department prior to submitting them to the Business Office for payment processing.
- Upon completion of the capital project, the Architect submits the Substantial Completion Form, and the Business Office files the final cost reports to the State.

Observations/Recommendations

➤ *No recommendations at this time.*

12. FIXED ASSETS

The objective of our risk assessment within the fixed assets area is to assess whether controls are in place so that all capital assets are properly safeguarded from loss and that their value is maintained. To safeguard the assets of the District there should be a capital asset policy that clearly states the District’s objectives and procedures to achieve those objectives. The policy should state when periodic inventories should be conducted, how assets are recorded and maintained, how assets will be physically identified as belonging to the District, and procedures for disposal of assets. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has proper internal controls.

Summary of Controls

- The District reported the following capital asset balances for the fiscal years 2018/2019 through 2020/2021:

<u>Capital Asset</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Land	2,021,645	2,021,645	2,021,645
Construction in progress	3,915,451	4,223,833	1,169,214
Building & Improvements	163,943,120	163,987,760	166,980,627
Land Improvements	6,378,430	6,404,655	6,404,655
Furniture and equipment	5,553,761	6,910,074	7,737,630
Vehicles	439,035	439,035	439,035
Total Depreciable Costs	<u>182,251,442</u>	<u>183,987,002</u>	<u>184,752,806</u>
Total Accumulated Depreciation	54,469,797	58,597,678	62,709,848
Total Capital Assets, Net	<u>127,781,645</u>	<u>125,389,324</u>	<u>122,042,958</u>

Source: Financial Statements for Years Ended June 30, 2019 through 2021.

- The Board of Education approves all fixed asset disposals.
- The District has a capitalization policy of \$5,000 or more for financial statement reporting purposes. The District also monitors computer equipment that costs \$500 or more. Fixed assets are recorded at historical costs and depreciated on a straight-line basis.
- The District has contracted with CBIZ to perform inventory valuations every five (5) years. The most recent fixed asset appraisal was conducted in 2019.

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Observations/Recommendations

11. The District does not conduct periodic physical observations of fixed assets to ascertain their location and/or existence. The District does not perform a reconciliation of the additions reported on the property ledger to the cash disbursements for equipment codes reported in nVision.
- *The District should designate an employee to perform a periodic fixed asset inspection during the year to verify whether control procedures are being followed and that fixed assets are properly safeguarded. A comparison of physical inspections to property records will identify missing equipment, equipment disposed of without authorization, and untagged equipment. The same employee should reconcile the additions reported on the property ledger to the cash disbursements for equipment codes reported in nVision will ensure the accuracy of the reported fixed asset costs.*

13. FOOD SERVICE

The objective of our risk assessment was to determine if the internal controls for the District’s school lunch program are adequate to safeguard assets. The school lunch program is primarily operated for the student population’s needs and includes breakfast and lunch programs. Any profit generated from the program should be used for the betterment of the school lunch program. Expenditures of the program are governed by the Commissioner of Education regulations and the dietary requirements of the USDA. Funding for the school lunch program is derived from sales of meals. The accounting records of the school lunch program must reflect all receipts and disbursement activities and the financial activities should be reported to the Board of Education. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has proper internal controls.

Summary of Controls

- The District’s school lunch program had a positive fund balance during fiscal years 2018/2019 through 2020/2021 as follows:

<u>Revenues</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Use of Money & Property	2,212	1,612	224
Sale of property and compensation for loss	-	-	(3,320)
Miscellaneous	1,774	28,434	5,210
State Sources	34,145	42,681	54,207
Federal Sources	800,084	877,689	1,521,820
Sales-School Lunch	1,014,193	667,779	134,712
Total Revenue	1,852,408	1,618,195	1,712,853
Food Service Program Expenditures	1,758,279	1,390,138	1,283,341
Excess (Deficiency) Of Revenues Over Expenditures	94,129	228,057	429,512
Fund Balance- Beginning of the year	700,868	794,997	1,023,054
End of the Year	794,997	1,023,054	1,452,566
3 Mos AVG Expenditures	527,484	417,041	385,002
Difference	267,513	606,013	1,067,564

Source: Financial Statements: Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – For The Years Ended June 30, 2019 through 2021

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- The District’s school lunch fund balance was in excess of its three (3) month average of expenditures as of June 30, 2021. The Assistant Superintendent for Business has filed a plan with the Child Nutrition Program Administration and provided an explanation of how the District will reduce the fund balance (net cash resources) to an acceptable level.
- The District has contracted the school lunch program to Aramark. The Head Cooks order food weekly and update an inventory of supplies on a monthly basis. The Food Service Director from Aramark reviews and approves the weekly food supply orders.
- The Board of Education has adopted a school lunch/nutrition and Wellness policy.
- The District utilizes the NutriKids POS system to record sales and meal counts at all building cafeterias. The POS system improves confidentiality control over meal participants.
- The District claims federal and state aid for its lunch programs. The Food Service Department prepares monthly operating statements and forwards them to the Business Office for review. The Business Office reports the monthly operating statements to the State through the State’s website.
- The Food Service Director assigns the cashiers and head cooks to conduct a double count verification of cash received at the register. Additionally, overages/shortages are investigated. The Food Service Director verifies that each count is correct.
- The Food Service Director performs a complete physical inventory count and reconciliation on a monthly basis.

Observations/Recommendations

➤ *No recommendations at this time.*

14. EXTRACLASSROOM ACTIVITY FUND

The objective of our risk assessment within the extraclassroom activity fund is to ensure that the District personnel and students have controls in place safeguarding their assets. The District should have policies and procedures administering the operations of the extraclassroom activity fund. The responsibility of the Central Treasurer involves the preparation of activity fund checks, recording receipts and disbursements, preparing bank deposits, reconciling bank statements, and providing the Board at least quarterly a statement of each fund’s activity. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has the proper internal controls.

Summary of Controls

- In 2020/2021, the District had 66 extraclassroom activity clubs within two (2) schools. The District reported a total fund balance of \$126,806 within the extraclassroom activity funds at the end of the fiscal year 2020/2021 as follows:

<u>School</u>	<u>Clubs</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
High School	56	109,873	113,918	96,985	99,578
Middle School	10	12,257	20,573	5,602	27,228
Total	56	105,732	155,500	165,920	126,806

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- All extraclassroom activity clubs and advisor stipends are approved by the Board of Education.
- All extraclassroom activity clubs designate a Student President and Student Treasurer annually.
- Cash from events is recorded on a standard deposit form and then brought to the ECAF Treasurer to be double counted. All deposits are made on a daily basis, if possible. If not, deposits are kept overnight in a locked safe and deposited by the Courier the following business day.
- The District has established a process whereby the ledgers of the Club Advisors and the ECAF Treasurer are reconciled monthly for accuracy. The District has designated a High School Teacher as a Faculty Auditor to perform monthly audits of the Clubs' records on a sample basis.
- The Clubs submit fundraising forms to their Principals to review and approve their requests for fundraising events. The students prepare profit and loss statements at the conclusion of the fundraising event and submit them to the ECAF Treasurer along with the applicable deposits.
- Check request forms are completed by Faculty Advisors and signed by Student Treasurers. The form, invoice, and supporting documentation are forwarded to the ECAF Treasurer for payment processing.
- The District Treasurer prepares monthly bank reconciliations and prepares quarterly reports indicating the receipts, disbursements, and balances for each Extraclassroom Activity Club to the Board of Education.

Observations/Recommendations

12. The ECAF Treasurer maintains manual handwritten ledgers to track the activity and balances of the ECAF clubs.
 - *The ECAF Treasurer should maintain ECAF books and records in electronic format (e.g., Excel spreadsheets, QuickBooks, or online applications) to effectively monitor their cash receipts, disbursements, and applicable Club account balances. This will assist the ECAF Treasurer to monitor Extraclassroom activity funds and reconcile in real-time their account balances to the Central Treasurers' records and bank statements.*

15. INFORMATION SYSTEMS

The objective of our risk assessment was to determine if the internal controls over information technology are in place for the District's financial management system. Strong internal controls for the District's financial management system include proper separation of duties, appropriate permissions to the respective modules within the computer system, and assurance of the accuracy of data generated from the system. There should also be a Board policy addressing computer controls for information technology. This policy would address the appropriate permissions, remote access, daily offsite backup, and disaster recovery plan. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has proper internal controls.

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Summary of Controls

- The District's policy manual includes a computer acceptable use policy. District officers and employees are required to acknowledge their receipt of the District's computer use policy prior to gaining access to a District computer.
- The District has developed a long-term technology plan. The District is planning to update its instructional technology plan during the fiscal year 2021/2022 to indicate the District's current technology goals, infrastructure, inventory, software and support, curriculum, professional development, investment plan, the status of initiatives, and monitoring and evaluation.
- The Information Technology Department creates, modifies, and deactivates user accounts based on job duties and responsibilities in the District's active directory.
- The Information Technology Department is responsible for maintaining the District's information system governance security, network security, and financial application security.
- The Information Technology Department utilizes web-filtering, firewall, malware, intrusion detection, and antivirus applications to protect and secure the District's network from unauthorized users or malicious external threats.
- The District maintains daily backups of the data maintained within the Active Directory, nVision, NutriKids, and Email that are saved onto District servers. The Information Technology maintains offsite backups through BOCES and receives daily reports on the status of the backup procedures. Restoration procedures are tested on an annual basis.
- With the assistance of a third-party consultant, the Information Technology Department is in the process of finalizing the District's disaster recovery plan with respect to the District's onsite applications and data indicating the alternative processing procedures in the event of loss or interruption of the information technology function.
- The Information Technology Department maintains an electronic entrance log and video cameras to monitor access to the server room. The server room is temperature-controlled and the servers are secured on racks raised from the floor.
- Wireless access points at the building level are protected via password and are encrypted to secure the District's network from unauthorized users.
- The Information Technology Department has placed restrictions to prevent users from installing applications on the server and their workstations.
- Users are required to maintain complex passwords.
- The District allows laptops and information technology equipment to be taken off school property and the Information Technology Department monitors their internet activity through web-filtering applications.

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Observations/Recommendations

13. We reviewed the user permission report generated by nVision and noted that the Accounts Payable Clerk user permission role allows the users to override the account budget codes and purchase order balances. This creates a risk for account balances to become negative and undetected.

- *We recommend that the Business Office disable the transaction permissions to override accounts and purchase order balances from the Accounts Payable Clerk user permission role. This will ensure that the system prevents users from circumventing the District's budgetary process and enhance the oversight controls over the system's account reporting. At the Board's request, Nawrocki Smith can perform an extensive analysis of the nVision user permissions to assess their access according to the employees' job titles and duties.*

16. CYBERSECURITY

The objective of our risk assessment was to determine if the internal controls over cybersecurity are functioning and that developed cybersecurity procedures are in place to protect the organization's data and prevent interruption in the day to day operations of the organization. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has proper internal controls.

Summary of Controls

- The District has a Board-approved information security breach and notification policy to address events of Personal Identifiable Information ("PII") compromises or breaches.
- The Information Technology Department has developed controls to encrypt and/or password protect information that flows in and out of the District's network. Encryption is a necessary control that provides another level of security for the District's data.
- The District stores personal identifiable information ("PII") in various applications that are password protected. The Information Technology Department has developed controls for users to change their passwords periodically.
- Access to critical systems and networks is deactivated immediately for former employees and vendors.
- The Information Technology Department has implemented an intrusion detection system (IDS) to inspect inbound and outbound network activity and identify suspicious patterns that may indicate a network or system attack from unauthorized users attempting to break into or compromise the District's network. The Information Technology Department utilizes BOCES, Microsoft, and firewall logs to monitor unusual traffic in emails and in the Active Directory.
- The Information Technology Department has protocols in place to determine whether third-party vendors are to provide security policies and other information regarding their security protocols to comply with Education Law Part 2D.
- The Information Technology Department has developed a formal incident response plan that includes defined personnel roles for handling incidents, an outline of the procedure to take in case of an incident, and timelines for notifications of a breach or unauthorized release of PII and investigations thereof to

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NYSED's Chief Privacy Officer, potentially affected parents and/or eligible students, and other potentially impacted stakeholders.

- The Information Technology Department is in the process of contracting with a third-party consultant to conduct penetration tests to identify potential vulnerability within the school's network.
- The Information Technology Department is in the process of evaluating SIEM (Security Information and Event Management) or log analytic tools for log aggregation and consolidation from multiple machines and log correlation and analysis.

Observations/Recommendations

14. The Information Technology Department provides formal training regarding cybersecurity, social engineering, protecting personally identifiable information, social media guidelines, and related risks for new and existing District employees. The District has not developed a formal phishing campaign.

- *The District should establish a formal phishing campaign for employees to test their awareness communications regarding cybersecurity, phishing email, social engineering, protecting personally identifiable information, and related risks. District employees should be scheduled to receive such training phishing emails at regular intervals.*

15. We noted that the Information Technology Department has restricted the access to the Active Directory administrative user access rights to the Information Technology Director and the Technicians employed at the Information Technology Department. The Information Technology Department has not set up an audit log with their administrative rights to log and monitor their activity with the District's network. The lack of an audit log of administrative rights is a risk as unauthorized access to the system may become undetected.

- *The District should maintain an audit log of privileged accounts with controlling rights and permissions and perform designated tasks in the Active Directory, domain controllers, and workstations. This will assist the District in maintaining accountability over the District's network security and deter users from abusing their access rights that may result in data breaches and downtime. For audit purposes, the Information Technology Director should obtain a copy of the administrative access audit log and confirm that any access to the District's network was properly authorized.*

17. STUDENT DATA MANAGEMENT

The objective of our risk assessment was to determine whether the District adequately controls access to student data management. Strong internal controls for the District's student data management system include proper separation of duties, appropriate permissions to the respective modules within the computer system, and assurance of data generated from the system. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has proper internal controls.

Summary of Controls

- The District utilizes eSchool to register students within the District. The District utilizes Google online application forms for Parents to enter the student's information and upload proof of residence, including

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birth certificate, immunization records, and transcripts. The Registration Office reviews the documents and imports the student's demographic data into eSchool.

- The Main Offices at each building utilize eSchool to track student attendance and monitor exception reports for students who are chronically absent. The District has assigned the building level administration to monitor the accuracy of the student attendance data entry.
- eSchool is utilized as an electronic grade book system to maintain class rosters, tracks students' grades (input by District staff) and academic progress, monitor student performance, generate student report cards, and maintain permanent student records (i.e., transcripts).

Observations/Recommendations

16. The District has not developed a procedure, form, or audit log review process for student grade changes. Currently, the District relies on emails to request a change in student grades subsequent to the lockout date of a marking period. The failure to document approvals and the reasons for necessary modifications in student grades increases the risk that such changes are not properly authorized and supported, which places the integrity of the student's permanent record at risk.
 - *The District should develop a standardized process and request form for all requests and approvals of a student grade change. Requests to make grade changes should be made in writing directly to an Assistant Principal or the Principal detailing the reason for the need to change or record a grade after the lockout date. The form should be forwarded to the Guidance Office to make the appropriate changes upon approval. This control will ensure that documentation is retained to show who authorized the grade change and the reason for the change. Audit logs should be reviewed periodically to confirm appropriateness and reported to the Assistant Superintendent for Instruction.*
17. The District has not established a formal process to track students' eligibility to participate in athletic and extraclassroom activity events.
 - *The District should develop formal procedures to comply with Policy 7421 – Athletic Participation and Competition regarding student eligibility to participate at athletic and extraclassroom activity events. The District should assign the applicable Department Heads to monitor the student attendance, academics, and code of conduct and determine their participation eligibility. The Department Heads should maintain a student participation eligibility list and communicate their results to the applicable Athletic Coaches, Club Advisors, Student, and Parents in advance prior to registering for athletic or extraclassroom activity fund events.*

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18. PUPIL PERSONNEL SERVICES

The Pupil Personnel Service (PPS) environment is ever-changing as demands for services are on the rise, as are the costs associated with such services. As a result, Districts are finding it more and more difficult to monitor spending and properly budget for subsequent year financial requirements. Strong internal controls within this area offer increased assistance for future budget monitoring and planning. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has proper internal controls.

Summary of Controls

- The District’s program for students with disabilities comprised on average 10.87% of total expenditures and increased by \$1,226,627, or 8.99%, from \$13,646,639 in 2018/2019 to \$14,873,266 in 2020/2021 as follows:

	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Programs for Children with Handicapped Conditions	13,646,639	15,512,936	14,873,266
<i>Change from Prior Year</i>	<i>N/A</i>	<i>1,866,297</i>	<i>(639,670)</i>
<i>% Change from Prior Year</i>	<i>N/A</i>	<i>12.03%</i>	<i>-4.30%</i>
Total Expenditures	134,482,822	132,227,161	138,617,493
<i>% of Expenditures</i>	<i>10.15%</i>	<i>11.73%</i>	<i>10.73%</i>

*Source: Financial Statements: General Fund Schedule of Expenditures and Other Financing Uses
 Compared to Budget Years Ended June 30, 2019 through 2021.*

- The Special Education Department and the Business Office have ongoing communications with respect to planning during the budget season. The Special Education Department prepares a detailed breakdown of the students and applicable services provided within the District and at separate locations.
- The Special Education Department utilized Frontline IEP Direct to document and track the students with an Individual Education Program (IEP) and related services.
- The District utilizes a consultant to process and submit STAC claims to NYSED on behalf of the District. The District determines which students are STAC eligible after reviewing their IEPs for STAC eligible services and associated costs. This includes students enrolled in District-operated, BOCES, and other public and private school programs. The District is responsible for obtaining all required student information for those students determined to be STAC eligible, as well as the documentation needed to calculate each student’s STAC cost and forwarding it to the consultant.
- The Special Education Department reviews the Automated Verification Listing (AVL) to verify student enrollment dates, placements, and student cost as per the level of services on student IEPs. The Deputy Treasurer reconciles the payments reported on the Approved Payment Report (APR) from NYSED to the AVL.
- All professional services for special education are subject to the Request for Proposals (RFP) process on an annual basis. The Board of Education approves and awards service contracts.

Observations/Recommendations

- *No recommendations at this time.*

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19. TRANSPORTATION

The objective of our risk assessment was to determine if the internal controls within the District’s transportation program are adequate for the safeguarding of assets. Strong internal controls within this area offer increased assistance for future budget monitoring and planning. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has proper internal controls.

Summary of Controls

- The District’s transportation expenditures have decreased by \$139,383, or 1.5%, from \$9,078,148 in 2018/2019 to \$8,938,765 in 2020/2021 as follows:

	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Pupil Transportation	9,078,148	6,245,693	8,938,765
<i>Change from Prior Year</i>	<i>N/A</i>	<i>(2,832,455)</i>	<i>2,693,072</i>
<i>% Change from Prior Year</i>	<i>N/A</i>	<i>-45.35%</i>	<i>30.13%</i>

*Source: Financial Statements: Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual –
General Fund For the Year Ended June 30, 2019 through 2021.*

- The District contracts with a vendor, Towne Bus LLC, to provide all student busing services, including AM and PM routes, private placements, special education, athletics, and field trips.
- Transportation is provided for regular education students in grades kindergarten through grade 12 who are more than a ½ half-mile from their school, private/parochial students ½ mile to 15 miles, and special education students ½ mile to 50 miles.
- The District purchases fuel for the vendor and the Transportation Department utilizes Transfinder and Excel spreadsheets to calculate the mileage and track the fuel consumption. The vendor agreement indicates the maximum fuel gallons and miles per gallon rate. The Transportation Department reviews and analyzes the transportation fuel logs for accuracy and activity trends.
- The Transportation Department utilizes Transfinder routing software to develop, schedule, and monitor school bus routes, bus drivers, fuel, and aides.
- The Transportation Department receives a notification from the New York State Department of Motor Vehicles of bus driver disqualifications.
- The Transportation Department reviews copies of the drivers’ 19A files to ensure compliance with DMV 19A file requirements.
- Transportation contracts are in compliance with New York State Education Department guidelines and state and federal regulations. Contracts are filed with New York State Education Department in a timely manner.

Observations/Recommendations

- *No recommendations at this time.*

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20. SAFETY & SECURITY

The objective of our risk assessment was to determine if the internal controls of safety and security are in place to meet the organizational objectives for continuous business operations and the safe welfare of the school population. Documented, knowledgeable oversight of security, safety, and compliance can increase the District's control over its resources. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has proper internal controls.

Summary of Controls

- The Security Department has developed District-wide and building-level safety and security plans to address crisis readiness. Building safety and security plans are updated annually based on updated requirements mandated by the New York State Board of Education. The plans are submitted to the State Police and local law enforcement.
- The District has conducted a Facilities Assessment of its safety and security plans, including building access. The District is in the process of implementing the recommended safeguards, including revamping emergency zones and floor plans.
- The Information Technology manages the District's building access swipe card and surveillance systems. The Security Department removes building access to former employees upon notice from the Human Resource Department.
- The District has alarm and monitoring systems with enhanced lockdown systems and pull stations throughout the buildings.
- The building level Administrators conduct routine compliance checks of security procedures, including fire drills and communication systems. The results of their compliance checks are forwarded to the Security Department for review.
- Building-level Administrators handle incident reporting. Depending on the severity of each incident, the Security Department and the Superintendent of Schools are involved in developing corrective action plans and addressing any communications to the community.

Observations/Recommendations

- *No recommendations at this time.*

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21. INSURANCE / RISK MANAGEMENT

The objective of our risk assessment was to determine if the internal controls over insurance/risk management are adequate for risks to be mitigated and policies are in place to meet the organizational risk management objectives. Documented, knowledgeable oversight of insurance/risk management can increase the District's control over its resources. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has proper internal controls.

Summary of Controls

- The District maintains insurance policies with NYSIR regarding student accidents, construction, general liability, property, casualty, and cyber-attack coverage. The District is self-insured for workers' compensation claims.
- The insurance carrier broker representative conducts inspections and reviews claims and contracts to identify the District's risk areas and ensure proper insurance coverage annually.
- The Business Office is responsible for monitoring certificates of insurance. The Business Office annually reviews the insurance policies and applicable premium amounts, payouts, and coverage to ensure that the District transfers its risk exposure appropriately. The certificates are sent to NYSIR for review and approval.
- The Business Office maintains the insurance portfolio and ensures the timely renewal of policies.
- The Business Office has access to the NYSIR's website to submit a claim. The insurer discusses the coverage, exclusions, and deductibles with the Business Office. The employees file their claims with the building level Administration for workers' compensation. The Business Office and the District's third-party administrator review the causes of the incident and approve or deny the claim. The Business Office and the District's third-party administrator maintain copies of the claim and applicable supporting documentation on file.

Observations/Recommendations

No recommendations at this time.