Grand Island Central School District

Risk Assessment, Recommendations and Findings for 2022-2023

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TRONCONI SEGARRA & ASSOCIATES LLP
Certified Public Accountants
Business Consultants

To the Audit Committee of the Board of Education
of the Grand Island Central School District

We are pleased to report on the annual risk assessment of the Grand Island Central School District (the "District"). The purpose of our engagement is to assist you in the development of a risk assessment of District operations, and provide recommendations to strengthen controls and reduce the identified risks. This report was developed from inquiry, observations and tests of internal control.

The District's risks are the risks that an action or event will adversely affect its ability to successfully achieve its objectives. The Risk Assessment section of the report analyzes the significant risks that were identified during our engagement.

For purposes of this report, internal control is a process affected by the Board of Education (the "Board"), department heads and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting and safeguarding of assets. We have evaluated the District's current internal controls and have provided our risk assessment and a set of recommendations for strengthening controls and reducing identified risks.

As noted, the purpose of our engagement was to assist you in improving the internal controls and reducing the risks that face your District. However, it is ultimately your responsibility to assess the adequacy of your risk management system. In performing our engagement, we relied on the accuracy and reliability of information provided by District personnel. We have not audited, examined, or reviewed the information, and express no assurance thereon.

The accompanying comments and recommendations are intended solely for the information and use of the Audit Committee, the Board, department heads, and others within the District and should not be used for any other purpose.

We appreciate the opportunity to serve you and thank the individuals in your District for their cooperation. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience. Through our ongoing involvement with you as a client and our knowledge of your processes, we would be pleased to perform any additional studies of these matters, or to assist you in implementing the recommendations.

Tronconi Segarra & Associates LLP

Williamsville, New York
May 17, 2023

Risk Assessment

Grand Island Central School District

Risk Assessment

Overview

The Grand Island Central School District's (the "District") risks are the risks that an action or event will adversely affect its ability to successfully achieve its objectives. During our engagement we became aware of various sources of risk that impact the District. We evaluated these risks by using two distinct assessments of impact and likelihood. A simple rating scale has been developed for this purpose. The rating scale ranges from minor to significant impact, and low to high likelihood, using a 3-point scale.

Impact refers to the extent of the consequences or implications if the risk does occur. To assess impact, we have determined how much of an impact the risk has if it does occur:

- A minor impact suggests that the risk would not have important implications on the District.
- A moderate impact suggests that the risk could have implications for the District's ability to succeed.
- A significant impact suggests that the risk would have important implications on the District.

Likelihood refers to the probability that the risk may occur given the current context of the District. To assess likelihood, we have determined how likely it is that the risk will occur in the future, given what is currently done to manage said risk:

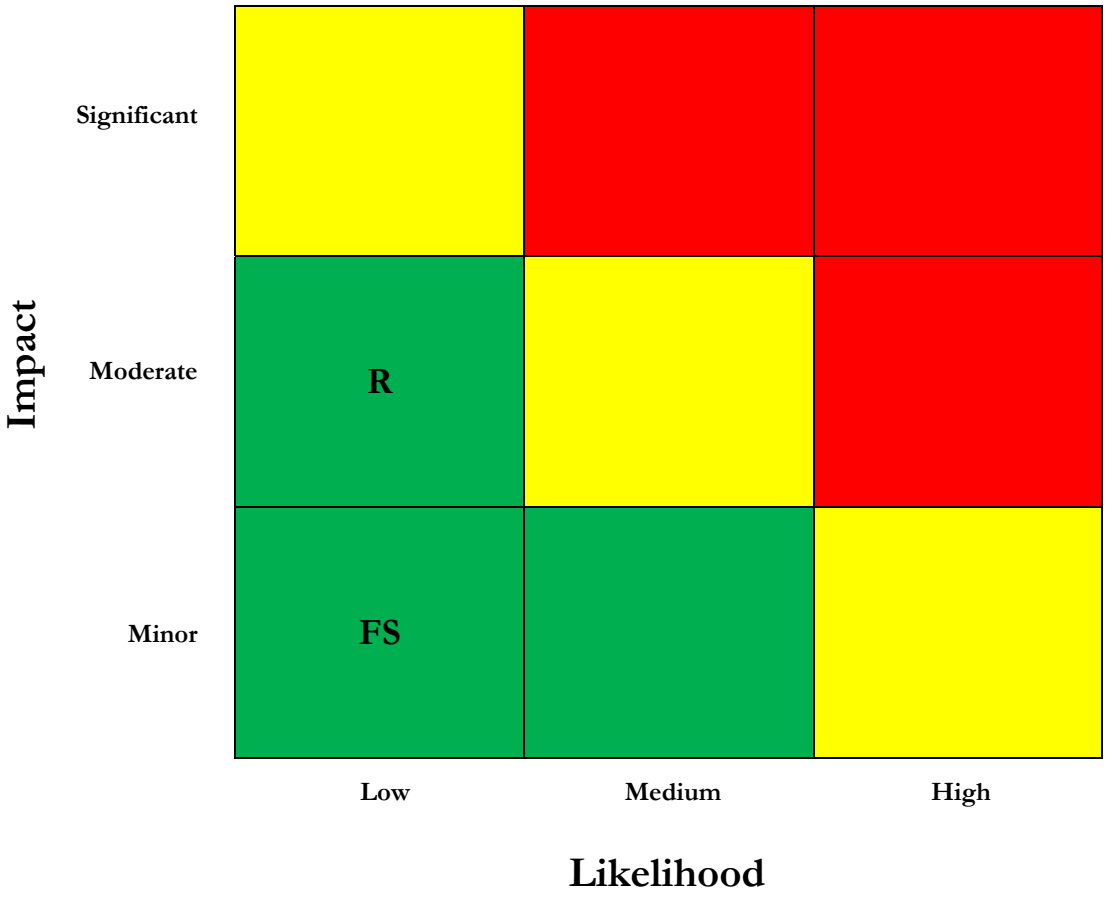
- A low likelihood suggests that the risk is unlikely to occur, given its nature and current risk management practices in place.
- A medium likelihood of occurrence suggests that the risk has a moderate probability of occurrence.
- A high likelihood of occurrence suggests that the risk is likely to occur, despite the current risk management practices in place.

The Risk Management Tolerance Model and the Risk Assessment Matrix that follow summarizes these risks and assesses their impact and likelihood. Cycles plotted in the yellow sections are considered to have moderate risk, are considered to be important, and should be given reasonable priority. Cycles plotted in the green sections of the model are considered least risky and remediation efforts to address deficiencies in these cycles would be expected to be addressed during routine operations of the District.

We have developed the risk assessment around significant financial transaction cycles as a means by which the associated risks can be easily understood and managed. The Internal Control Recommendations section of this report presents recommendations with more detail information regarding criticality and implementation timeliness. The cycles or areas that have been evaluated are as follows:

- Revenue (R)
- Food Service Operations (FS)

Risk Management Tolerance Model



Risk Assessment Matrix

Cycle	Risk Assessment Based on Procedures Performed	Impact	Likelihood
R	We noted moderate overall risk in the Revenue cycle.	Moderate	Low
FS	We noted minor overall risk in the Food Service Operations cycle.	Minor	Low

Internal Control Recommendations

Grand Island Central School District

Internal Control Recommendations

Overview

Internal control recommendations represent those areas that afford department heads of the District the opportunity to improve financial reporting and internal controls, to better safeguard District assets, and/or to more efficiently or accurately record, summarize, and report financial transactions and information. They also represent those areas that may improve efficiency of operations and accounting functions, potentially resulting in costs savings.

We have provided a criticality rating and an implementation timeline for each internal control recommendation. Criticality ratings considered included urgent, important, and routine. The implementation timelines considered were short-term and long-term, reflecting the effort and time required to implement the applicable recommendation while factoring in the criticality assigned thereto. Short-term refers to a finding that we believe can be corrected within one year. Long-term refers to a finding that may require changes to organization, systems and/or procedures that may require over one year to effectuate change.

As a result of the procedures we performed, there were seven (7) total recommendations. The number of recommendations in each internal control area is as follows:

		Criticality			Timeline	
Internal Control Area	Number of Recommendations	Routine	Important	Urgent	Short-Term	Long-Term
Revenue	4	3	1	0	4	0
Food Service Operations	3	2	1	0	2	1
Total Recommendations	7	5	2	0	6	1

Revenue (R)

RECOMMENDATION 1 (Repeat Recommendation):

Criticality: **Routine**
Timeline: **Short-Term**

Finding: The District Treasurer has not prepared monthly bank reconciliations for multiple accounts on a timely basis.

Background: The District has been experiencing high turnover in the Payroll Clerk position. Due to inadequate staffing in the Business Office and the District Treasurer temporarily taking over the primary payroll processing duties, the bank reconciliations had not been completed in a timely manner for multiple months. The Business Office presented a plan to the Board in March 2023 for getting caught up with the monthly bank reconciliations.

Rationale:

Impact: *Moderate* – If the bank reconciliations are not prepared and reviewed in a timely manner, there could be greater risk and potential for errors, irregularities, and fraud, which could have significant financial, operational, and/or reputational impact on the District.

Likelihood: *Low* – The District's Business Office has implemented proper segregation of duties to the extent possible. Another staff member in the Business Office who does not complete the bank reconciliations has access to, and performs a review of, the monthly bank statements. As a result, the likelihood of significant risk is considered low.

Recommendation: We recommend that the District's bank account reconciliations are completed and reviewed each month no later than the end of the month following the month being reconciled.

RECOMMENDATION 2:

Criticality: **Routine**
Timeline: **Short-Term**

Finding: The Treasurer's Reports and Revenue Status reports have not been routinely provided to the Board.

Background: The District has been experiencing high turnover in the Payroll Clerk position. Due to inadequate staffing in the Business Office and the District Treasurer temporarily taking over the primary payroll processing duties, the Treasurer's Reports had not been completed in a timely manner for several months. At the April 18, 2023 Board meeting, it was noted that Treasurer's Reports for several of the District's bank accounts and Revenue Status reports for the General Fund for the months of October 2022 through February 2023 were provided to the Board.

Rationale:

Impact: *Moderate* – The Board is not able to conduct proper monitoring and oversight of the District's finances throughout the year when financial reports are not being routinely completed and shared.

Likelihood: *Low* – The District's Business Office has outlined a plan to address delinquency in the preparation of the monthly bank reconciliations, which are the basis for the monthly Treasurer's Reports. The Business Office has also kept current in posting revenue transactions to NVision. As a result, the likelihood of significant risk is considered low.

Recommendation: We recommend that the Treasurer's Report and Revenue Status reports for all District funds are provided to the Board on at least a monthly basis. The Business Office should at a minimum report the status of the District's finances and provide Revenue Status reports in the event of any future delays or continued staff shortages.

RECOMMENDATION 3:

Criticality: **Routine**
Timeline: **Short-Term**

Finding: The current District Treasurer does not have her own unique user account in NVision.

Background: NVision requires a user account and password to be set up to have access to enter transactions and view reports. The previous District Treasurer's account has been maintained in NVision and is being used by the current District Treasurer. The password for this user account was changed upon the retirement of the previous District Treasurer.

Rationale:

Impact: *Minor* – If a strong password is not used, the previous District Treasurer could possibly gain access to NVision.

Likelihood: *Low* – The District's Business Office has adequate monitoring of transactions posted to NVision which could potentially detect any unauthorized access.

Recommendation: We recommend that a unique user account is established for the current District Treasurer and that the previous District Treasurer's user account is disabled.

RECOMMENDATION 4 (Repeat Recommendation):
Criticality: Important
Timeline: Short-Term

Finding: There is no formal reconciliation of the cash receipts and check logs to NVision and the bank deposits by someone independent of the receipt of the funds.

Background: Due to the size of the Business Office, there are limited segregation of duties within the cash receipts and revenue recognition process. The Receptionist is responsible for logging checks received to an Excel check log and the District Treasurer is responsible for logging cash received to a separate log. The District Treasurer is responsible for recording cash and check receipts in NVision, and remitting the funds to the third party vendor for transport to the bank for deposit. There is no independent reconciliation between the cash and checks received and logged, the general ledger journal entries entered by the District Treasurer, and the bank deposits.

Rationale:

Impact: *Low* – A majority of the significant revenue sources are electronically remitted directly to the District's bank account. Therefore, the total revenue exposed to this process is a very minor percentage of the District's total revenues.

Likelihood: *Medium* – The likelihood for error or misappropriation is medium due to limited segregation of duties.

Recommendation: We recommend that the entries to the cash receipts log and check log are periodically compared to NVision and to the deposit reported in the bank statement by a staff member who is independent from the cash and check receipts process to ensure all funds received are appropriately recorded in NVision and deposited to the bank. The staff member should initial and date the cash receipts and check log entries tested.

Food Service Operations (FS)

RECOMMENDATION 1:

Criticality: **Important**
Timeline: **Long-Term**

Finding: There are no security cameras monitoring the cash registers or the inventory storage areas.

Background: Cash registers and food service inventory are not always monitored and may be accessed by many District individuals that do not necessarily work in the food service department. In the past, there have been instances with staff from other departments accessing food service supplies without permission. A breakroom is in the high school basement where food service inventory is maintained and is accessible by building and grounds staff.

Rationale:

Impact: *Moderate* – The absence of security cameras may increase the risk of cash or food service inventory to be misappropriated, the latter of which amounts to several thousands of dollars of goods and supplies. Additionally, security cameras may be an effective deterrent to any potential misappropriation.

Likelihood: *Low* – Although the risk of theft of cash is always present, the food service department has procedures in place for independent reconciliation of receipts collected and recorded at each cash register. The District has limited unauthorized access to food service supplies to the extent possible; however, the risk of misappropriation of assets may be able to be further mitigated.

Recommendation: We recommend that District consider installing security cameras to monitor the high school basement food service storage areas and all food service cash registers to deter any instances of asset misappropriation.

RECOMMENDATION 2:

Criticality: **Routine**
Timeline: **Short-Term**

Finding: The packing slips or other delivery reports accompanying the food and beverage orders that itemized the products and quantities being delivered do not always contain evidence that a comparison of the items listed to the items received was completed.

Background: The Stock Clerk in the food service department is primarily responsible for receiving food and beverage orders. The Stock Clerk is in charge of unloading, counting, and stocking items in storage areas and delivering inventory to the other school locations as needed. As this function is being performed by one staff member and confirmation of the items received is not always documented on the packing slips, this may lead to unexplained discrepancies.

Rationale:

Impact: *Minor* – The absence of a documented verification on packing slips does not hold the stock clerk accountable for lack of procedures being performed. Overall, the dollar amount of food and beverage inventory is a relatively minor balance in the District's financial statements.

Likelihood: *Medium* – Based on discussion with management, there appears to be a modest likelihood that food and beverage inventory items may not be properly accounted for among the District's food service locations.

Recommendation: We recommend the Stock Clerk document on all packing slips or delivery reports that the quantities of products listed in the delivery documents have been verified as received. This may be accomplished by initialing and dating the delivery reports.

RECOMMENDATION 3:

Criticality: **Routine**
Timeline: **Short-Term**

Finding: Budget to actual reports for the School Lunch fund are not being formally provided to the Board on a monthly basis.

Background: Budget status reports for all funds should be provided to the Board on a regular basis to enhance the monitoring of revenue and appropriations for specific programs. Budget status reports for the School Lunch fund are being reviewed at quarterly meetings of the District's Food Service Committee. The District has had historical deficits in the School Lunch fund and is making progress in establishing sustainability in this department.

Rationale:

Impact: *Minor* – The District's funds are monitored internally on a regular basis; however, the status of each fund's revenue and expenditures are not being formally communicated to the Board.

Likelihood: *Low* – The likelihood that significant variances in budgeted amounts for the School Lunch fund would go undetected is low based on management and Food Service Committee oversight during the year.

Recommendation: We recommend that monthly budget to actual reports from NVision for the revenue and expenditures of the School Lunch Fund are provided to the Board as a best practice.