Grand Island Central School District

Risk Assessment, Recommendations and Findings for 2021

Grand Island Central School District

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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
June 16, 2022

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:

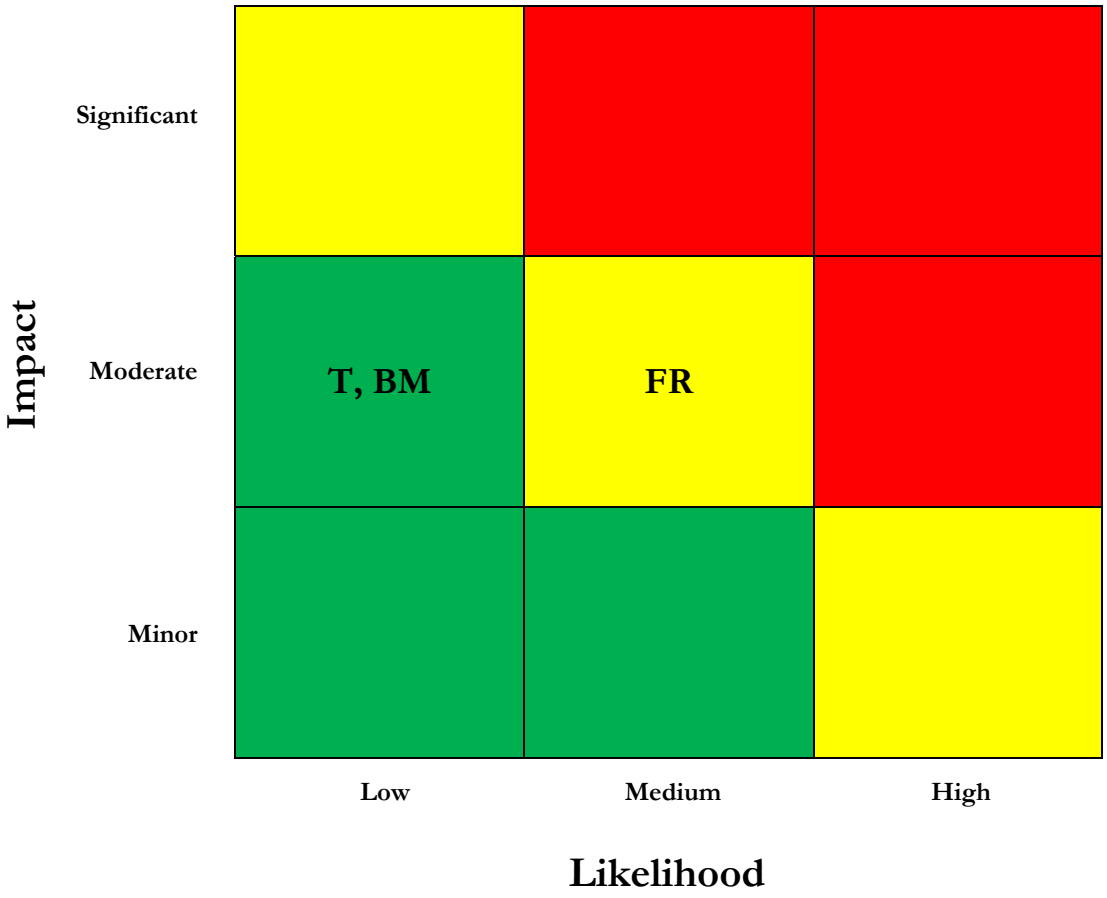
- A low likelihood suggests that the risk is unlikely to occur, given its nature and current risk management practices in place.
- A medium likelihood of occurrence suggests that the risk has a moderate probability of occurrence.
- A high likelihood of occurrence suggests that the risk is likely to occur,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

- Transportation (T)
- Budget and Budget Monitoring (BM)
- Financial Reporting (FR)

Risk Management Tolerance Model



Risk Assessment Matrix

Cycle	Risk Assessment Based on Procedures Performed	Impact	Likelihood
T	We noted moderate overall risk in the Transportation cycle.	Moderate	Low
BM	We noted moderate overall risk in the Budget and Budget Monitoring cycle.	Moderate	Low
FR	We noted moderate overall risk in the Financial Reporting cycle.	Moderate	Medium

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 five (5) 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
Transportation	1	1	0	0	1	0
Budget & Budget Monitoring	2	2	0	0	2	0
Financial Reporting	2	2	0	0	2	0
Total Recommendations	5	5	0	0	5	0

Transportation (T)

RECOMMENDATION 1 (Repeat Recommendation):

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

Finding: Based on inquiry of the Head Mechanic, there does not appear to be a periodic review of gas transactions that occur at the District's gas pumps.

Background: The Transportation department utilizes the Gas Boy software to track and record transactions that occur at the District's gas pumps. In order to fill up a tank at the District's gas pumps, a District driver must have a key fob that corresponds with the vehicle he or she is filling, a security code, and the vehicle's odometer reading. There does not appear to be a periodic review of the District's gas transactions.

Rationale:

Impact: *Moderate* –The loss of a costly item such as fuel due to misuse or fraud could have a moderate financial impact to the District.

Likelihood: *Low* – The likelihood of misuse or fraud occurring is considered low due to the automated controls surrounding the fuel process for the District.

Recommendation: We recommend the Head Mechanic calculate an estimate of fuel usage by the District's vehicles on a monthly basis and compare this to the actual usage with a report from the Gas Boy software. This analysis should be reviewed by the Transportation Supervisor.

Budget & Budget Monitoring (BM)

RECOMMENDATION 1 (Repeat Recommendation):

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

Finding: The District does not maintain formal written budget objectives addressing the replacement of capital assets.

Background: It is good business practice to maintain formal written objectives regarding budgeting. This would assist in any staff transitions and training of new staff involved with any of the budgeting objectives. Furthermore, this would assist in documentation of the objectives and monitoring of the objectives. Based on discussions with the Assistant Superintendent, this budget objective has been mentioned internally in the past.

Rationale:

Impact: *Minor* — The absence of formal or written budget objectives addressing the replacement of capital assets has a minor impact since they are discussed regularly by the Business Office and the Board.

Likelihood: *Low* – The likelihood that the District would be unaware of such budget objectives is low as there are frequent internal discussions.

Recommendation: We recommend that the District consider developing formal written budgeting objectives addressing the replacement of capital assets to be updated on a periodic basis. Formal written objectives will help the process to be consistent each year even if the duties need to be performed by a different employee.

Budget & Budget Monitoring (BM)

RECOMMENDATION 2:

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

Finding: Appropriation Status Reports are not formally presented to the Board on a monthly basis.

Background: Appropriation (Budget) Status Reports for all funds should be provided to the Board on a regular basis as well as to the individuals responsible for controlling appropriations for specific programs.

Rationale:

Impact: *Minor* – All funds are monitored internally on a regular basis, however the status of each is not formally communicated to the Board.

Likelihood: *Low* – The likelihood that significant variances in budgeted amounts for the other funds would go undetected is low.

Recommendation: We recommend that the District prepare Appropriation Status Reports for all funds to be presented to the Board on a monthly basis to ensure the Board and those individuals responsible for controlling appropriations for specific programs are made aware of the budget to actual status and activity running through these other funds.

Financial Reporting (FR)

RECOMMENDATION 1:

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

Finding: Bank reconciliations are not being performed in a timely manner. Additionally, the Treasurer's Report, which includes the bank reconciliations, are not being presented to the Board timely.

Background: The May 2021 Treasurer's Report was completed and submitted in the August 2021 month's Board meeting. We have noticed the reconciliations and Treasurer's Reports are not being submitted to the Board timely.

Rationale:

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

Likelihood: *Medium* – The District's administration and Board regularly monitor the District's financial reporting. The Business Office has implemented proper segregation of duties to the extent possible. The Assistant Superintendent for Business and Finance approves all general ledger journal entries and the Board reviews the District's financial reports at each monthly meeting. As a result, the likelihood of a significant impact is medium.

Recommendation: We recommend that the monthly bank reconciliations are prepared in a timely manner and are presented to the Board with the Treasurer's Report in a timely manner.

Financial Reporting (FR)

RECOMMENDATION 2 (Repeat Recommendation):

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

Finding: The District does not maintain formal or written cash flow projections as recommended by the New York State Education Department.

Background: It is good business practice to create cash flow projections in writing to serve as the basis for borrowing and investing. The ability to anticipate cash flow needs improves a district's financial management practices. Based on discussions with the Assistant Superintendent, a formal cash projection is not created; however, the District's cash flow needs are fairly predictable. The Assistant Superintendent for Business and Finance is planning to put in place a quarterly cash flow analysis. Additionally, a debt schedule of the next five years' payments is prepared. The District's financial advisors, R.G. Timbs, Inc., also assist with the informal cash flow projection process.

Rationale:

Impact: *Minor* – No formal or written cash flow projection has a minor impact on the operations and financial condition of the District.

Likelihood: *Low* – The likelihood that the District would be unaware of cash needs and cash status is considered to be at a low level as the budget process as well as the cash status reports reviewed monthly would identify any specific cash flow needs.

Recommendation: We recommend that the District consider adding a formal cash flow projection to be updated on a periodic basis. A cash flow projection will assist the District in analyzing borrowing and investing options, and improve the District's financial management practices.