**Rockland BOCES**

**Initial Risk Assessment
Pertaining to the Internal Controls
of Rockland BOCES Operations**

**As of June 2022**

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

The Board of Education
Rockland BOCES

We have performed the procedures enumerated below, which were agreed to by the Rockland BOCES (the "BOCES"), solely to assist BOCES. 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 June 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
- 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 BOCES at your convenience.

These agreed-upon procedures do not constitute an examination or audit of BOCES' 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 Rockland BOCES 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*
August 17, 2022

# Rockland BOCES

## Initial Risk Assessment Report
## Pertaining to the Internal Controls of Rockland BOCES Operations

## As of June 2022

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## RISK ASSESSMENT OVERVIEW

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

## SCOPE AND METHODOLOGY

The Board of Education has engaged Nawrocki Smith LLP as BOCES' internal auditor as of April 2022. In compliance with New York State Laws, we have performed a risk assessment with respect to policies, procedures, and internal controls pertaining to BOCES' financial operations. Our risk assessment was performed to assess risk areas within BOCES and 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 methodology:

- Perform interviews with administration and other appropriate personnel.
- Document procedures within key Functional Areas.
- Identify key controls and perform audit tests of those controls.
- Assess the effectiveness of the key controls.
- Identification and review of organization structure.
- Analysis of risks that are a threat to the achievement of objectives.
- Create a risk profile and internal audit plan.

In addition to the above procedures, we have also evaluated and considered the following within our overall risk assessment:

- BOCES 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.
- External auditor management letters.
- BOCES corrective action plans.
- Organizational chart and job descriptions.

## INTERNAL AUDIT COVID CONSIDERATIONS

As BOCES 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?

## INTERNAL AUDIT INITIAL RISK ASSESSMENT SUMMARY

We have analyzed twenty (20) Business Process areas within BOCES and have developed an internal audit plan based on our initial assessment of each area.  Each of the twenty (20) 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:

### CURRENT YEAR RATINGS

| Rating | 2021/2022 | |
|--------|------|--------|
| High | - | *0.00%* |
| Moderate | 23 | *27.06%* |
| Low | 62 | *72.94%* |
| **Total** | **85** | *100.00%* |

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

Our June 2022 initial risk assessment contains 12 recommendations, as follows:

| Business Process | Recommendation(s) |
|------------------|-------------------|
| Governance & Planning | 2 |
| Budget Development | 1 |
| Revenue & Cash Management | 1 |
| Grants | 1 |
| Payroll | 1 |
| Human Resources | 1 |
| Information Systems | 1 |
| Cybersecurity | 1 |
| Student Data Management | 1 |
| Transportation | 1 |
| Safety & Security | 1 |
| **Total** | **12** |

Based on the work performed and discussion with BOCES, we have summarized below the internal audit plan for the fiscal year 2021/2022 and thereafter.  We have also summarized below areas we recommend BOCES consider for the selection of one (1) intensive cycle analysis to be performed during the fiscal year 2022/2023:

| 2021/2022 Internal Audit Plan | 2022/2023 Cycle Reviews Recommendations | Other 2022/2023 Planned Internal Audit Services |
|-------------------------------|------------------------------------------|--------------------------------------------------|
| • User Permissions Analysis | • Human Resources (Employee Onboarding/Offboarding, Attendance) | • External Audit Corrective Action Plan Monitoring |
| • Initial Risk Assessment as of June 22 | • Cybersecurity (NIST Gap Analysis) | • Annual Risk Assessment Update as of June 2023 |
| | • Payroll | • Other Internal Audit Services at the request of BOCES |

**Rockland BOCES**
**Initial Risk Assessment**
**As of June 2022**

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

**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 | Prior | 22-23 | Subsequent |
| | | | | | | 21-22 | | |
| 8 | Benefits | 33 | Eligibility | H | L | | | X |
| | | 34 | Benefit Calculations | H | L | | | X |
| | | 35 | Patient Protection & Affordable Care Act | H | L | | | X |
| | | 36 | Retiree Benefits | H | L | | | X |
| | | 37 | ERS/TRS | H | L | | | X |
| 9 | Purchasing and Related Expenditures | 38 | PO System & Vendor Database | H | L | | | X |
| | | 39 | Purchasing Process | H | L | | | X |
| | | 40 | Payment Processing | H | L | √ | | X |
| | | 41 | Employee Reimbursements | H | L | | | X |
| | | 42 | Credit Cards | H | L | | | X |
| 10 | Facilities Maintenance | 43 | Facilities Maintenance/Work Orders | H | L | | | X |
| | | 44 | Staff Supervision | M | L | | | X |
| | | 45 | Preventive Maintenance | M | L | | | X |
| | | 46 | Coordination with Outside Vendors | M | L | | | X |
| 11 | Capital Projects | 47 | Construction Planning & Monitoring | H | L | | | X |
| | | 48 | Capital Project Funding & Payments | M | L | | | X |
| | | 49 | Recordkeeping & Reporting | M | L | | | X |
| 12 | Fixed Assets | 50 | Inventory/ Capitalization Policy | H | L | | | X |
| | | 51 | Acquisition and Disposal | H | L | | | X |
| | | 52 | Inventory Process & Recordkeeping | H | M | | | X |
| 13 | Extraclassroom Activity Fund | 53 | General Controls | H | M | | | X |
| | | 54 | Revenue | H | M | | | X |
| | | 55 | Expenditures | M | M | | | X |
| | | 56 | Reporting | M | M | | | X |

**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 | Prior | 22-23 | Subsequent |
| | | | | | 21-22 | | | |
| 14 | Information System | 57 | Governance | H | L | | | X |
| | | 58 | Inventory | H | L | | | X |
| | | 59 | Network Security | H | M | | | X |
| | | 60 | Application Security | H | M | ★ | | X |
| | | 61 | Physical Security | H | M | | | X |
| | | 62 | Disaster Recovery | H | M | | | X |
| 15 | Cybersecurity | 63 | General Controls | H | M | | X | |
| | | 64 | Information & Asset Security | H | M | | X | |
| | | 65 | Vulnerability Assessment | H | M | | X | |
| | | 66 | Incident Response & Recovery | H | M | | X | |
| 16 | Student Data Management | 67 | Registration & Enrollment | H | L | | | X |
| | | 68 | Student Attendance | H | L | | | X |
| | | 69 | Student Performance | H | M | | | X |
| 17 | Pupil Personnel Services | 70 | Budgeting and Planning | H | L | | | X |
| | | 71 | STAC Reimbursement | H | L | | | X |
| | | 72 | Medicaid Reimbursement | H | L | | | X |
| | | 73 | RFP and Contracts | H | L | | | X |
| 18 | Transportation | 74 | Fleet Inventory and Maintenance | H | L | | | X |
| | | 75 | Bus Routing and Planning | H | M | | | X |
| | | 76 | Labor and Supervision | H | L | | | X |
| | | 77 | Contract Management | H | L | | | X |
| | | 78 | Federal and State Reimbursement | H | L | | | X |
| 19 | Safety & Security | 79 | Plan Development & Strategy | H | L | | | X |
| | | 80 | Building Access & Security System | H | L | | | X |
| | | 81 | Compliance and Incident Reporting | H | L | | | X |
| | | 82 | Safety & Security Monitoring | H | L | | | X |
| 20 | Insurance / Risk Management | 83 | General | H | L | | | X |
| | | 84 | Policy Management | H | L | | | X |
| | | 85 | Claims Reporting | H | L | | | X |

**Inherent Risk -** Inherent risk pertains to the overall Rockland BOCES 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 Rockland BOCES. 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 selected areas 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 the selected areas, we will be providing BOCES 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 BOCES. 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 ensure that BOCES' goals 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 official minutes of the Board of Education indicate for each meeting the time of convening, members present and absent, others present, and late arrivals or early departures. The official minutes record the "yes" or "no" votes on each resolution. The official minutes are currently up to date and are written in a clear and concise manner. The BOCES Clerk maintains a supplemental file to support and reference the minute's book. The official minutes indicate the required Board of Education action on the appointment and resignation of employees.

- The Board of Education has adopted a code of ethics that is provided to officers and employees at new hire orientation.

- The Business Office maintains an organizational chart to indicate the responsible parties.

- The Business Office maintains job descriptions indicating the documentation and decision flow by each responsible party.

- BOCES has a policy manual available on its website. The policies include business management functions and responsibilities. When applicable, the policies contain legal references on which the policies are based. BOCES subscribes to the New York State School Board Association to obtain updates on required fiscal management policies on an ongoing basis.

**Observations/Recommendations**

1. BOCES is governed by nine (9) Board of Education members. We were provided with financial oversight training certificates of completion for four (4) out of nine (9) Board members.

   ➢ *According to Section 2102-a of the Education Law, Board members are required to obtain a minimum of six hours of training on financial oversight, accountability, and fiduciary*

*responsibilities. BOCES should maintain copies of all certificates of completion of Board of Education fiscal financial training.*

2. BOCES has experienced turnover within its leadership team. Additionally, certain key employees in the Business Office have specialized skills, knowledge, and responsibilities critical to daily operations.

➢ *BOCES should develop a succession plan that includes providing for sustainability of processes to carry out necessary critical functions in the event needed. This would include developing formal business process manuals throughout key functions as well as a formal cross-training program regarding accounting and reporting, accounts payable, human resources, and payroll processes. This is important as it enhances the understanding of each employee's responsibilities and BOCES will become better equipped to recover quickly from disruptions and handle transitions efficiently.*

## 2. BUDGET DEVELOPMENT

The objective of our risk assessment within the budget development area is to assess whether proper internal controls are in place and to understand how BOCES 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

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

| | *Revenue (GF)* | | | *Expenditures (GF)* | | |
|---|---|---|---|---|---|---|
| **General Fund** | **2018/2019** | **2019/2020** | **2020/2021** | **2018/2019** | **2019/2020** | **2020/2021** |
| Budget | 133,240,385 | 131,864,965 | 128,297,283 | 133,240,385 | 133,482,100 | 129,434,870 |
| Actual | 126,187,678 | 124,826,659 | 127,078,272 | 125,132,420 | 124,078,863 | 127,958,420 |
| **Difference** | **(7,052,707)** | **(7,038,306)** | **(1,219,011)** | **(8,107,965)** | **(9,403,237)** | **(1,476,450)** |
| *% Difference* | *-5.59%* | *-5.64%* | *-0.96%* | *-6.48%* | *-7.58%* | *-1.15%* |

*(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 $1,476,450, or 1.15%, attributed to savings in programs including instruction for special education and other services.

- The Business Office prepares expenditure projections beginning in December of each year. The Business Office utilizes the WinCap Budget Module to prepare BOCES' budget each year.

- The Business Office has established internal controls to prevent over-commitment of budgetary expenditures within its WinCap financial application system.

- We have conducted key control testing in the area of budget transfers and based upon the testing procedures performed, we noted that all budget transfers were properly requested and approved.

## Observations/Recommendations

3. The Business Office has established a process whereby budget transfers are requested via a budget transfer form, approved by the Executive Director of Business and Operations (designee as assigned at the reorganizational meeting), and processed by the Accountant I or Accountant II. However, the Board of Education has not established a policy to review and approve budget transfers over a certain dollar threshold.

  > *BOCES should consider including within its Policy 6150 – Budget Transfers, a budget transfer threshold over a certain dollar to be reviewed and approved by the Board of Education. This will increase the Board's oversight over budget transfers.*

## 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 that BOCES' financial position is properly disclosed and reported. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has the proper internal controls.

## Summary of Controls

- BOCES' general fund revenue over expenses decreased by $2,566,176, or 22.71% from $11,301,643 in 2018/2019 to $8,735,467 in 2020/2021. BOCES' general fund balance fluctuated and ranged from $48,487,360 in 2019/2020 to $55,251,811 in 2020/2021. The following table summarizes the net change in fund balance during the period analyzed:

| *General Fund* | **2018/2019** | **2019/2020** | **2020/2021** |
|---|---|---|---|
| **Total Revenues** | **126,187,678** | **124,826,659** | **127,078,272** |
| *Change From Prior Year* | *N/A* | *(1,361,019)* | *2,251,613* |
| *% Change From Prior Year* | *N/A* | *-1.09%* | *1.77%* |
| | | | |
| **Total Expenditures** | **125,132,420** | **124,078,863** | **127,958,420** |
| *Change From Prior Year* | *N/A* | *(1,053,557)* | *3,879,557* |
| *% Change From Prior Year* | *N/A* | *-0.85%* | *3.03%* |
| | | | |
| **Total Other Uses Interfund Transfers Out** | **1,600,817** | **(1,135,334)** | **(1,059,571)** |
| *Change From Prior Year* | *N/A* | *(2,736,151)* | *75,763* |
| *% Change From Prior Year* | *N/A* | *241.00%* | *-7.15%* |
| | | | |
| **Excess (Deficiency) Of Revenues Over Expenditures** | **(545,559)** | **1,883,130** | **179,423** |
| *Change From Prior Year* | *N/A* | *2,428,689* | *(1,703,707)* |
| *% Change From Prior Year* | *N/A* | *128.97%* | *-949.55%* |
| | | | |
| Beginning Fund Balance | 6,401,462 | 4,809,744 (*) | 6,692,874 |
| **Ending Fund Balance** | **5,855,903** | **6,692,874** | **6,872,297** |
| *Change From Prior Year* | *N/A* | *836,971* | *179.423* |
| *% Change From Prior Year* | *N/A* | *12.51%* | *2.61%* |

*Source: Financial Statements: Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds*
*For The Years Ended June 30, 2018 through 2021*
*(\*) As restated. Opening general fund balance and BOCES-Wide net position were decreased by $1,046,159 as a result of increasing the general fund opening balance due to trust and agency for adjustments made to the general fund's share of health insurance premiums owed.*

- The Business Office maintains up-to-date journals and ledgers for all BOCES funds.

- The Business Office has implemented within WinCap controls to so that encumbrances are placed prior to the release of a purchase order and the system prevents the release of a purchase order if the appropriation is insufficient. Salaries and known contracts are encumbered at the beginning of the year.

- The Board of Education receives the following monthly reports: BOCES Treasurer reports, budget status reports, appropriation and revenue status reports, and claims audit reports.

- BOCES 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 External Auditor's annual financial statement audits are posted on BOCES' website.

- The prior internal auditor conducted an audit of BOCES' internal controls over fixed during the fiscal year 2020/2021. BOCES issued its responses and corrective action plan to the audit recommendations.

- BOCES' Claims Auditor reviews the claims and the warrants on a weekly basis. The review function of the accounts payable checks, supporting documentation, and check registers is documented and provided in a monthly summary to the Board of Education.

- We conducted key control testing in the area of journal entries and noted that the journal entries were properly documented and reviewed by the Business Office.

**Observations/Recommendations**

➢ *No recommendations at this time.*

## 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 so that revenue and cash are 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

- BOCES' total governmental fund revenue remained consistent and ranged from $124,826,659 in 2019/2020 to $127,078,272 in 2020/2021 as follows:

| Revenues | 2018/2019 | | 2019/2020 | | 2020/2021 | |
|---|---|---|---|---|---|---|
| Charges For Services | 2,194,403 | 1.74% | 2,067,806 | 1.66% | 572,281 | 0.45% |
| Charges to Components | 98,206,706 | 77.83% | 97,225,678 | 77.89% | 99,661,179 | 78.43% |
| Charges to Other BOCES & Non-Components | 24,141,790 | 19.13% | 24,272,704 | 19.45% | 25,266,519 | 19.88% |
| Use of Money and Property | 115,170 | 0.09% | 77,501 | 0.06% | 100,083 | 0.08% |
| Other Unclassified Revenues | 234,544 | 0.19% | 148,477 | 0.12% | 110,641 | 0.09% |
| Refund of Prior Year's Expenditures | 1,295,065 | 1.03% | 1,034,493 | 0.83% | 720,118 | 0.57% |
| Federal Sources | - | 0.00% | - | 0.00% | 647,451 | 0.51% |
| **Total Revenues** | **126,187,678** | **100.00%** | **124,826,659** | **100.00%** | **127,078,272** | **100.00%** |
| *Change from Prior Year* | *N/A* | | *(1,361,019)* | | *2,251,613* | |
| *% Change from Prior Year* | *N/A* | | *-1.09%* | | *1.77%* | |

*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 monitors 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 tuition, special education, communications, professional development, information technology, and transportation services. The following table summarizes BOCES' receivables during the fiscal years ending June 30, 2019 through 2021:

| Receivables - General Fund | 2018/2019 | 2019/2020 | 2020/2021 |
|---|---|---|---|
| Accounts Receivable | - | 132,907 | 49,887 |
| State And Federal Aid | 9,159,353 | 10,898,535 | 14,969,869 |
| Due From Other School Districts | 24,872,034 | 25,645,758 | 18,971,245 |
| Due From Other Funds | - | 6,219,042 | 28,159,614 |
| Other Receivables (net) | 57,671 | - | - |
| **Total Receivables** | **34,089,058** | **42,896,242** | **62,150,615** |
| *Change from Prior Year* | *N/A* | *8,807,184* | *19,254,373* |
| *% Change from Prior Year* | *N/A* | *20.53%* | *30.98%* |

*Source: Financial Statements: Balance Sheet Governmental Funds For The Years Ended June 30, 2019 through 2021*

- BOCES has a manual process to bill and monitor 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. BOCES 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 building usage billings and receipts.

- The Board of Education accepts and approves monetary and tangible donations. The approval of donations is documented within the Board of Education minutes. The Business Office records monetary donations in WinCap and tangible donations in BOCES' property ledger, when applicable.

- Cash receipts are 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.

- Cash receipts are recorded directly in WinCap in numeric sequence, including voids. BOCES Treasurer and Deputy Treasurer reconcile the cash receipts to the actual deposits during the bank reconciliation process.

- Responsibilities for cash receipt functions are segregated from cash disbursement duties.

- BOCES places a restrictive endorsement on incoming checks as soon as they are received.

- The Board of Education approves all depository banks utilized by BOCES at the reorganizational meeting.

- The Board of Education has approved fifteen (15) petty cash funds of $100. When the accounts require replenishment, the Business Office prepares a standard petty cash voucher for each receipt. The District Treasurer reviews and signs off the petty cash voucher before forwarding it to the Accounts Payable Clerk for processing. The Claims Auditor reviews the payments for accuracy.

- We have conducted key control testing in the bank reconciliation area and based upon the testing procedures performed, we noted that the bank reconciliations were performed monthly, on a timely basis, and reported the deposits in transit and outstanding checks.

**Observations/Recommendations**

4. BOCES' deposits are secured by collateral through BOCES' bank institutions. The District Treasurer does not prepare a collateral analysis of the secured amounts.

   ➢ *A collateral analysis should be prepared as part of the District Treasurer's report and presented to the Board on a monthly basis.*

## 5. GRANTS

The objective of our risk assessment within the Grants area is to assess the internal controls and assist BOCES so that federal and state revenue are 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 2020/2021:

| Project Number | Project Description | Budget Total | Paid To Date | Difference |
|---|---|---|---|---|
| 0317-21-1031 | School Library SYS Supplemental Aid | 47,052 | 47,052 | - |
| 0364-21-0031 | SLS Aid for Automation | 10,157 | 10,157 | - |
| 0365-21-0031 | School Library Systems Aid | 101,568 | 101,568 | - |
| 0425-21-0089 | Teacher Centers | 105,305 | 105,305 | - |
| 8000-21-0023 | Perkins IV/CTEIA - Basic Grant | 712,278 | 712,278 | - |
| 2338-21-3163 | WIOA, Title 2, Adult Education & Lit | 286,554 | 286,554 | - |
| **Total** | | **1,262,914** | **1,262,914** | **-** |

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

- The Grant Administrators and the Accountant II periodically monitor the actual costs and compare them to estimated costs.

- The Grant Administrators and the Accountant II prepare the following documents when applying for grants:

  o Form FS-10 – Proposed Budget for a Federal or State Project
  o Form FS-25 – Request for Funds for a Federal or State Project
  o Narratives
  o Data Related To BOCES' Demographics
  o Assurances
  o Curriculum Documentation And Plans

  The Accountant II reviews grant applications for accuracy.

- The Grant applications are reviewed and approved by the District Superintendent and submitted in a timely manner. BOCES receives grant award notices.

- Deposits from grant funding are traced to the bank statements.

- The Accountant II maintains the following documentation within each grant file:

  o Budget Report and Budget Amendments
  o Form FS-25 – Request for Funds for a Federal or State Project
  o Form FS-10F – Final Expenditure Report for a Federal or State Project
  o Correspondence to Business Office and Payroll
  o Reports from WinCap indicating revenues and expenditures

- BOCES has developed written policies and procedures to ensure that purchases and salary codes under federal awards comply with the requirement of the Uniform Grant Guidance.
- Payroll certifications for employees whose salary is paid, in full or in part, from grants are maintained on file.

**Observations/Recommendations**

5. We analyzed the contents of the BOCES Personnel Activity Report (PAR). Although it contains the number of hours each employee worked, it does not include information regarding the time distribution between cost objectives or activities.

   ➤ *To comply with the payroll certification requirements of the Uniform Grant Guidance, we recommend that BOCES update its Personnel Activity Report (PAR) and include information regarding the distribution of time between cost objectives or activities.*

## 6. PAYROLL

The objective of our risk assessment within payroll was to determine if the internal controls are adequate to properly safeguard assets 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 that payment is made for services rendered and maintains employee authorizations to support deductions from payroll checks.

- The Payroll Office verifies that all employees are placed on the payroll and that all retired, resigned, and leave of absence employees are removed from payroll upon receipt of the Board of Education agenda and the retirement or resignation letter.

- Forms 941 – Employer's Quarterly Federal Tax Return are prepared by the Accountant II and reviewed and signed off by the Director of Business.

- Undistributed checks are returned to the Payroll Office. The Payroll Office reviews the unclaimed paychecks or paystubs to ensure inactive employees do not continue receiving payments from BOCES.

- Payroll comparison reports are reviewed and approved by the Payroll Office prior to disbursements.

- The Superintendent certifies BOCES' payroll.

- Hourly employees are required to utilize timesheets to document their working hours and attendance. The respective building Principal review and approve the timesheets and forwards them to the Payroll Office for processing.

- The Payroll Office issues annual salary notices through the web-portal WinCap Web.

**Observations/Recommendations**

6. BOCES has not developed a standard pre-approval form to document employee requests for overtime and extra pay. It is current practice that the 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.

   ➢ *BOCES 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 non-emergency overtime hours and should be granted only for specific and verifiable purposes. In emergencies, supervisors should verbally request/pre-approve 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 are incurred for a valid and needed purpose, and funding for the non-emergency overtime is provided in the budget.*

## 7. HUMAN RESOURCES

The objective of our risk assessment in the Human Resources areas was to determine if the internal controls over personnel are adequate, 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.

- The Human Resources Department posts new positions internally and externally through OLAS. Building level Administrators interview the candidates and make recommendations to the Superintendent. The Board of Education approves the appointment which is documented within the meeting minutes. The Human Resource Department processes the hiring documentation and enters the new employee demographic information into WinCap.

- The Human Resources Department maintains a confidential personnel file for each former and current employee.

- 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, if required by respective employment agreements.

- Employees who wish to retire or resign are required to notify the Human Resource Department in writing. The Payroll Department prepares the final payout calculation based on the employees' leave accrual balances and related bargaining unit agreements, if applicable. The Business Office reviews the calculations for accuracy prior to processing.

- The Human Resources Department and the Information Technology Department are in the process of developing an automated process and checklists when onboarding and offboarding employees from the District.

**Observations/Recommendations**

7. The Human Resources Department utilizes three (3) independent systems (Frontline Absence Management System, WinCap Web, and manual Excel spreadsheets) to track employee attendance and

requests for leave days. The employee attendance information maintained in Frontline Absence Management and WinCap Web systems is reviewed by the applicable Supervisors prior to being uploaded into the WinCap human resource module. The manual Excel spreadsheets vary are stand-alone methods developed by various departments to track employee attendance. Although validation controls exist to assess the accuracy of the attendance information entered manually in WinCap are in place, the utilization of multiple systems results in duplicate data entry processes between the Departments and the Human Resources Department, increases the risk of not tracking attendance in real-time as well as increases the risk of clerical errors resulting in inaccurate data.

> ➤ *The Human Resources Department should explore the full capabilities of the existing employee attendance management software, Frontline Absence Management or WinCap Web, or a timeclock system to implement a process whereby all employees document their time of entrance and exit from the District and leave requests. Using a standardized employee attendance management software or timeclock system to record arrival and departure times will provide improved control over the days and hours worked by employees. Electronic employee attendance can also reduce manual processing of payroll data if the applications are compatible. These controls will assist employees in obtaining pre-approval from their building-level supervisors for their vacation, personal business, maternity, military, jury duty, extended sick, and conference leave day requests in a consistent manner. Furthermore, these electronic platforms will assist BOCES in detecting unapproved leave requests and providing effective operating planning.*

## 8. BENEFITS

The objective of our risk assessment with the Benefits area was to determine if the internal controls over benefits are adequate so that 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

- BOCES offers health insurance coverage to all full-time employees. Depending on the bargaining unit agreement, BOCES employees are offered dental, life insurance, and long-term disability.

- The Benefits Office 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 Benefits Department records eligibility data for single or family coverage within WinCap. Additionally, the Benefits Office transmits online or through facsimile the eligibility data to the insurance carriers.

- The Benefits Department removes any benefit payables applicable to an employee on leave of absence. The Benefits Department sends notifications to the insurance carriers of the cancellation of benefits.

- The Benefits Department calculates the benefits payable based on the notifications submitted by the employees, the bargaining unit agreements, and the individual employment agreements. Each month

the Benefits Office compares billings and employee listings provided by the insurance carriers to BOCES' payroll deductions and benefits listings within WinCap.

- BOCES distributes Healthcare Exchange Notifications to all employees indicating the availability of the federal mandated health insurance exchanges.  BOCES provides this notification to all new hires as part of the orientation process.

- BOCES contracted with a third-party consultant to analyze BOCES' compliance with the Patient Protection and Affordable Care Act (ACA).

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

## Observations/Recommendations

➢ *No recommendations at this time.*


## 9.  PURCHASING AND RELATED EXPENDITURES

The objective of our risk assessment within the Purchasing area is to assess that BOCES' assets are properly safeguarded and that laws and regulations are 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 before a selected due date.  At the bid opening, the Business Office announces vendor services and price proposals and documents the bid results on a vendor summary sheet.

- BOCES has a purchasing policy that contains the required elements of General Municipal Law.  In addition, BOCES utilizes state and county contracts to reduce the cost of bidding.  The Business Office obtains written quotes for purchases not subject to the bid process.

- BOCES utilizes the purchase requisition module within WinCap to generate purchase orders.  The Purchasing Agent approves all requisitions and purchase orders.

- 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 WinCap vendor database.

- BOCES 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 maintains vendor files and applicable payments in alphabetical and numerical order, respectively.

- The Claims Auditor reviews claims prior to the release of payment on a weekly basis.

- The Business Office secures blank check stock in a locked closet to prevent their misuse.

- The BOCES Treasurer is the signatory on BOCES checks and maintains custody over the electronic signature file. The BOCES Treasurer utilizes individual password-protected signatures to sign checks electronically.

- BOCES has a policy in place regarding the authorization and reimbursement of expenditures. BOCES utilizes the MyLeaning Plan online platform for employees to document their request, which is approved by their respective direct Supervisor, Executive Director of Business and Operations, and District Superintendent prior to a conference. For reimbursement purposes, BOCES employees are required to submit to the Business Office supporting documentation such as invoices and proof of attendance.

- BOCES has implemented positive pay as a check fraud detection service to monitor checks processed for payment and match them against BOCES' bank accounts. This affords BOCES the opportunity to reject unauthorized payments before incurring a loss.

- We conducted key control testing in the cash disbursement area. We verified that the accounts payable vouchers included the required documentation (e.g., quotes or pricing sheets) and verified the accuracy of the invoice rates.

## Observations/Recommendations

➤ *No recommendations at this time.*

## 10. FACILITIES MANAGEMENT

The objective of our risk assessment within Facilities was to determine if the internal controls are adequate so 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

- BOCES utilizes a work order system to log, track and monitor the status of periodic maintenance or repair requests. The requestor initiates a work order which 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 provides its staff professional education and training on OSHA, safety, and security.

- The Facilities Department is responsible for the security of their equipment and storage of hazardous materials.

## Observations/Recommendations

➤ *No recommendations at this time.*

## 11. CAPITAL PROJECTS

The objective of our risk assessment was to determine if the internal controls over Capital Projects are adequate so that that 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

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

| | *Expenditures and Transfers to Date* | | | | | *Methods of Financing* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Project Title** | **Total Authorized Budget** | **Prior Year Expenses** | **Current Year Expenses** | **Current Year Transfers** | **Total** | **General Fund Transfers** | **Capital Reserve** | **State Aid** | **Total** | **Fund Balance 06/30/21** |
| Building 9 Modular/Pool 14-15 | 12,556,969 | 11,368,094 | 53,602 | 1,135,273 | 12,556,969 | 12,556,969 | - | - | 12,556,969 | - |
| **Total** | **12,556,969** | **11,368,094** | **53,602** | **1,135,273** | **12,556,969** | **12,556,969** | **-** | **-** | **12,556,969** | **-** |

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

- BOCES 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.

- During the construction phases, the Executive Director of Business and Operations, Director of Business, Facilities Director, Architect, and Construction manager, when applicable, monitor the capital project status. Any change orders are reviewed and approved by the Facilities Committee. Invoices are reviewed by the Architect, Construction Manager, and Executive Director of Business and Operations 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.

- The Business Office and Facilities Department maintain all capital project related documents within each file.

### 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 capital assets are properly safeguarded from loss and that their value is maintained. A capital asset policy should clearly state BOCES' objectives and procedures to safeguard BOCES assets. 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 BOCES, 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

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

| Capital Assets | 2018/2019 | 2019/2020 | 2020/2021 |
|---|---|---|---|
| Land | 3,163,681 | 3,163,681 | 3,163,681 |
| Construction in Progress | 7,564,704 | - | - |
| Buildings & Improvements | 10,849,582 | 22,389,770 | 22,425,281 |
| Furniture & Equipment | 6,074,877 | 6,441,433 | 6,941,200 |
| **Subtotal** | **27,652,844** | **31,994,884** | **32,530,162** |
| | | | |
| **Less: Accumulated Depreciation** | 8,742,825 | 9,409,852 | 10,098,857 |
| | | | |
| **Total Net Capital Assets** | **18,910,019** | **22,585,032** | **22,431,305** |

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

- The Board of Education approves all fixed asset disposals.

- BOCES has a capitalization policy of $5,000 or more for financial statement reporting purposes. BOCES also monitors computer equipment at a cost of $1,000 or more.

- The Business Office utilizes an inventory application, AssetWorks, to record the purchases and disposals for fixed assets. Fixed assets are recorded at historical costs and depreciated on a straight-line basis. The Accountant I updates BOCES' property ledger throughout the year based on the expenditures reports applicable to equipment codes generated by WinCap.

- BOCES has contracted with CBIZ to perform inventory valuations every three (3) years. BOCES is in the process of contracting with CBIZ to conduct annual physical observations of the fixed assets to ascertain their existence.

## Observations/Recommendations

➢ *No recommendations at this time.*

## 13. EXTRACLASSROOM ACTIVITY FUND

The objective of our risk assessment within the Extraclassroom Activity Fund is assess whether BOCES personnel and students have controls in place safeguarding club assets. BOCES 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.

### Summary of Controls

- BOCES has established extraclassroom activity accounts to maintain student activities and funds.

- BOCES is in the process of training Club Advisors and Club Officers on the accounting, recordkeeping, and reviewing extraclassroom activities.

- The Business Office is responsible for monitoring the activities of the extraclassroom accounts to ensure compliance with the guidelines.

### Observations/Recommendations

➢ *No recommendations at this time.*


## 14. INFORMATION SYSTEMS

The objective of our risk assessment within Information Technology was to determine if the internal controls over information technology are in place for BOCES' network system. Strong internal controls for a network 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.

### Summary of Controls

- The Information Technology Department has oversight of creating, modifying, and deleting user accounts in BOCES' active directory. The Information Technology Director has oversight over the user accounts in WinCap and assigned access to individuals based on their job duties and responsibilities.

- The Information Technology Department is responsible for maintaining BOCES' 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 BOCES' network from unauthorized users or malicious external threats.

- The Information Technology Department maintains daily backups of the data maintained within the Active Directory, WinCap, NutriKids, and Email that are saved onto BOCES servers. The Information Technology Department maintains offsite backups through LHRIC and receives daily reports on the status of the backup procedures.

- 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 password-protected and encrypted to secure the District's network from unauthorized users.

- The Information Technology Department has established protocols to prevent department level Administrators and Clerical employees from saving data on their desktops or laptops, which reduces the risk of losing sensitive data if the hard drives are stolen or damaged.

- All requests for new or revised user permissions within WinCap are role-based and pre-approved by the Director of Business.

## Observations/Recommendations

8. 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. BOCES' policy manual includes a computer acceptable use policy. However, BOCES officers and employees do not acknowledge their receipt of BOCES' computer use policy prior to gaining access to a BOCES computer in a consistent manner.

➢ *The Information Technology Department should develop a process whereby BOCES officers and employees acknowledge their receipt of BOCES' computer use policy prior to gaining access to a BOCES computer. This will assist BOCES in increasing the employee's awareness of their responsibility for the safety and security of BOCES property and proprietary information.*

## 15. CYBERSECURITY

The objective of our risk assessment in this area was to determine if the internal controls over cybersecurity are adequate and that developed cybersecurity procedures are in place so that the data of the organization is protected and prevents 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

- BOCES has a Board-approved information security breach and notification policy to address events of Personal Identifiable Information ("PII") compromises or breaches.

- BOCES 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.

- 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 BOCES' network. The Information Technology Department utilizes LHRIC, 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 provides formal training regarding cybersecurity, social engineering, protecting personally identifiable information, and social media guidelines and related risks for new and existing BOCES employees.

- BOCES is in the process of contracting with a third-party consultant to conduct penetration tests to identify potential vulnerabilities within the school's network.

**Observations/Recommendations**

9. In accordance with the New York State Education Law §2-D Regulation, Part 121 of the Commissioner's regulations, all School Districts and BOCES were required to establish security and privacy measures to safeguard the students' Personal identifiable Information (PII) no later than January 1, 2020. The BOCES needs improvement in monitoring its data privacy and security procedures to meet the National Institute of Standards and Technology Cybersecurity Framework (NIST CSF) standards and comply with the New York State Education Law Part 2d.

   ➢ *We recommend the District consider having Nawrocki Smith perform a NIST gap analysis (cybersecurity assessment) of the current state of the information security level of the District in accordance with the National Institute of Standards and Technology Cybersecurity Framework (NIST CSF), Center for Internet Security (CIS) 18 Critical Security Controls, New York State Education Law §2-D Regulation, Part 121 of the Commissioner's regulations, and best practices.*

## 16. STUDENT DATA MANAGEMENT

The objective of our risk assessment was to determine whether BOCES adequately controls access to student data management. Strong internal controls for student data 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. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has proper internal controls.

**Summary of Controls**

- BOCES utilizes eSchool to register students within BOCES. Parents meet with the District Registrar and provide proof of residence, including birth certificate, immunization records, and transcripts. The District Registrar 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. BOCES has assigned the building level administration to monitor the accuracy of student attendance data entry and eligibility for student participation in athletic and extraclassroom activity events.

- eSchool is also an electronic grade book system that maintains student class rosters in which teachers input student grades and track academic progress. eSchool is also utilized to track students' grades (input by District staff), monitor student performance, generate student report cards, and maintain permanent student records (i.e., transcripts).

**Observations/Recommendations**

10. BOCES has not developed a procedure, form, or audit log review process. Currently, BOCES 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.

   ➢ *BOCES 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 in writing directly to a Principal detailing the reason for needing to change, or record, a grade after the lockout date. Upon approval, the form should be forwarded to the department level Clerical Staff to make the appropriate changes. 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 applicable Department Head.*

## 17. PUPIL PERSONNEL SERVICES

The Pupil Personnel Service (PPS) environment is ever-changing as demands for services are rising, as are the costs associated with such services. As a result, BOCESs are finding it more and more difficult to monitor spending and properly budget for subsequent years' 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 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 BOCES and at separate locations.

- 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.*

## 18. TRANSPORTATION

The objective of our risk assessment was to determine if the internal controls for BOCES' transportation program are adequate to safeguard 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 Transportation Department manages BOCES' transportation program. The Transportation Department maintains service and expense records for each vehicle.

- BOCES purchases fuel from a state-approved contract and utilizes Fuel Master Plus software to manage fuel consumption which records purchase information such as bus drivers, bus numbers, gallons purchased, date, and odometer miles. The Transportation Department reviews and analyzes the transportation fuel logs for accuracy and activity trends.

- The Transportation Department receives a notification from the New York State Department of Motor Vehicles of bus driver disqualifications.

- The Transportation Department maintains copies of the drivers' 19A files to review and monitor compliance with DMV 19A file requirements.

**Observations/Recommendations**

11. The Transportation Department relies on manual Excel spreadsheets to develop, schedule, and monitor school bus routes, bus drivers, and aides. The Business Office does not have access to the vendor's transportation software to review and approve the vendor bus routes.

    ➢ *BOCES should obtain access to the vendor's bus route application to review and approve the bus routes, bus drivers, and aides. The Transportation Department should develop a bus route form to formally document the request and approval of adding, editing, or deleting a student bus route within the transportation bus route application. This bus route request form should include the reason a bus route needs to be added/edited/ deleted, anticipated additional expenses, effective date, requestor's name and date, and approval's name and date. This will assist the Business Office and Transportation Department in enhancing its oversight controls in bus routing, planning, and payment processing.*

## 19. SAFETY & SECURITY

The objective of our risk assessment was to determine if the internal controls of safety and security are adequate and in place to meet the organizational objectives for continuous business operations and the welfare and safety of the school population. Documented, knowledgeable oversight of security, safety, and compliance can increase BOCES' 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 BOCES-wide and building-level safety and security plans to address crisis readiness, such as:

  o Pre-Crisis Information
  o Plans
  o Post Emergency Response
  o Access to Floor Plans
  o Communication Systems
  o Coordination with State-Wide Plan

  Building safety and security plans are updated annually.

- 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 Executive Director of Business and Operations for review.

- Building-level Administrators handle incident reporting. Depending on the severity of each incident, the Executive Director of Business and Operations and the District Superintendent are involved in addressing any communications to the community and corrective actions.

### Observations/Recommendations

12. The Business Office removes building access to former employees upon notice from the Human Resource Department.

   ➤ *BOCES should consider having its internal auditors perform a complete reconciliation of the building access records to the WinCap active employee directory to confirm that only current active employees have access to District buildings.*

## 20. INSURANCE / RISK MANAGEMENT

The objective of our risk assessment was to determine if the internal controls of insurance/risk management are adequate so that risks are mitigated and policies are in place to meet the organizational objectives for continuous business operations. Documented, knowledgeable oversight of insurance/risk management can increase BOCES' 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

- BOCES maintains insurance policies with NYSIR regarding general liability, pollution liability, student professional liability, commercial, flood and earthquake, property, casualty, auto, and cyber-attack coverage. The insurer conducts a risk assessment and walk-through observations to identify BOCES' risk areas and ensure proper insurance coverage.

- The Business Office is responsible for monitoring certificates of insurance. The Business Office and the insurance broker review annually the insurance policies and applicable premium amounts, payouts, and coverage to ensure that BOCES is transferring its risk exposure appropriately.

- 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 insurance carrier discusses coverage, exclusions, and deductibles with the Business Office. The employees file their claims for workers' compensation with the building level Administration. The Business Office and BOCES' third-party administrator review the causes of the incident and approve or deny the claim. The Business Office and BOCES' third-party administrator maintain copies of the claim and applicable supporting documentation on file.

### Observations/Recommendations

➢ *No recommendations at this time.*