



Beacon City School District

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

July 2022

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

The Board of Education
Beacon City School District

We have performed the procedures enumerated below, which were agreed to by the Beacon City School District (the "District"), solely to assist the District. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We have developed our Initial Risk Assessment by performing certain internal audit procedures pertaining to the time period ending 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
- Food Service
- Extraclassroom Activity Fund
- Information Systems
- Cybersecurity
- Student Data Management
- Pupil Personnel Services
- Transportation
- Security and Safety
- Insurance / Risk Management

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

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

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

Very truly yours,

Nawrocki Smith LLP

December 22, 2022

Beacon City School District
Initial Risk Assessment Report
Pertaining to the Internal Controls of District Operations

July 2022

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RISK ASSESSMENT OVERVIEW

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

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

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

Pursuant to Section 170.12 – Regulations of the Commissioner of Education - School District Financial Accountability, each school district must prepare a corrective action plan, approved by the Board of Education in response to 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 the District within each functional area.
- Identify key risks based on the understanding of the business processes and stated business rules.
- Identify stated controls that are currently in place to address those risks and ascertain if they are operating effectively.
- Recommend improvements in internal controls.

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SCOPE AND METHODOLOGY

In compliance with New York State Laws, we have performed a risk assessment with respect to policies, procedures, and internal controls pertaining to the District's financial operations. Our risk assessment was performed in order to assess risk areas within the District and to determine an internal audit plan for the fiscal year 2022/2023 and thereafter. This risk assessment will be updated annually to reflect any changes in the current risk environment and the existing internal audit plan.

Our risk assessment consisted of the following:

- Perform interviews with administration and other appropriate personnel.
- Document procedures within key functional areas.
- Identify and review strategic plans and organization structure.
- Analyze risks that are a threat to the achievement of objectives.
- Create a risk profile and internal audit plan for 2022/2023 and thereafter.

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

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

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INTERNAL AUDIT INITIAL RISK ASSESSMENT SUMMARY

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

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

CURRENT YEAR RATINGS

<u>Rating</u>	<u>2021/2022</u>	
High	-	0.00%
Moderate	38	41.30%
Low	54	58.70%
Total	92	100.00%

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

Our June 2022 initial risk assessment contains thirty (30) recommendations, as follows:

<u>Business Process</u>	<u>Recommendation(s)</u>
Governance & Planning	3
Budget Development	1
Accounting & Reporting	1
Revenue & Cash Management	2
Grants	2
Payroll	3
Human Resources	3
Purchasing & Related Expenditures	1
Facilities Management	3
Fixed Assets	2
Extraclassroom Activity Fund	4
Information Systems	1
Cybersecurity	1
Pupil Personnel Services	2
Insurance Risk Management	1
Total	30

Based on discussions with the District, we have summarized below the internal audit plan for the fiscal year 2022/2023:

2022/2023	2023/2024
• Human Resources Cycle	• Payroll Cycle
	• Cybersecurity/NIST Gap Analysis
	• External Audit Corrective Action Plan
	• Annual Risk Assessment Update as of June 2023
	• Other Internal Audit Services at the request of the District/BOE

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Risk Rating and Internal Audit Plan

√ = Internal Audit Services Provided
★ = Business Cycle Review Complete

X = Proposed Business Cycle Review
T = Proposed Key Control Testing

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

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Risk Rating and Internal Audit Plan (Continued)

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

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

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Risk Rating and Internal Audit Plan (Continued)

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

	Business Process	Business Process Categories	RISK		YEAR OF SERVICE	
			Inherent	Control	22-23	Subsequent
15	Information System	63 Governance	H	M		X
		64 Inventory	H	M		X
		65 Network Security	H	M		X
		66 Application Security	H	M		X
		67 Physical Security	H	L		X
		68 Disaster Recovery	H	M		X
16	Cybersecurity	69 General Controls	H	M	X	
		70 Information & Asset Security	H	M	X	
		71 Vulnerability Assessment	H	M	X	
		72 Incident Response & Recovery	H	M	X	
17	Student Data Management	73 Registration & Enrolment	H	L		X
		74 Student Attendance	H	L		X
		75 Student Performance	H	L		X
		76 Student Eligibility	H	L		X
18	Pupil Personnel Services	77 Budgeting and Planning	H	L		X
		78 STAC Reimbursement	H	M		X
		79 Medicaid Reimbursement	H	L		X
		80 RFP and Contracts	H	L		X
19	Transportation	81 Fleet Inventory and Maintenance	H	L		X
		82 Bus Routing and Planning	H	L		X
		83 Labor and Supervision	H	L		X
		84 Contract Management	H	L		X
		85 Federal and State Reimbursement	H	L		X
20	Safety & Security	86 Plan Development & Strategy	H	L		X
		87 Building Access & Security System	H	L		X
		88 Compliance and Incident Reporting	H	L		X
		89 Safety & Security Monitoring	H	L		X
21	Insurance / Risk Management	90 General	H	L		X
		91 Policy Management	H	M		X
		92 Claims Reporting	H	L		X

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

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

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NEXT STEPS

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

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

1.GOVERNANCE AND PLANNING

The objective of our risk assessment within governance and planning is to assess whether controls are in place to ensure that the District’s 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 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 District has a policy manual available on the District’s website. The policies include business management functions and responsibilities. When applicable, the policies contain legal references on which the policies are based. The District subscribes to the New York State Board Association to obtain updates on required fiscal management policies on an ongoing basis.

Observations/Recommendations

1. The District is governed by nine (9) Board of Education members. As of the date of this report, we were not provided with each Board members’ financial oversight training certificates of completion.
 - *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. The District should maintain copies of certificates of completion for Board of Education member fiscal financial training.*
2. The District has experienced turnover within its leadership team thus experience loss of institutional knowledge. Additionally, certain key employees in the Business Office, have specialized skills, knowledge, and responsibilities that are critical to daily operations.

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- *The District should provide annual or semi-annual cross-training to identified emergency backup individuals in certain operational functions (e.g. payroll, treasury, etc.) to address short-term needs if they arise. A cost-benefit assessment should be performed to assess whether or not the Business Office, Human Resources, and Information Technology have the resources in place to meet the operational demands of the District.*
3. Documented guidelines and organizational charts regarding accounting and reporting, revenue and cash management, accounts payable, human resources, and payroll are not in place. Current procedures are based on past practices and verbal guidelines provided by prior and current administration and employees.
- *The District should develop formal documented guidelines and organizational charts regarding accounting and reporting, revenue and cash management, accounts payable, human resources, and payroll procedures. Procedures should be reviewed annually for training purposes and to ensure that responsibilities are adequately performed at each Department and comply with District policies.*

2.BUDGET DEVELOPMENT

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

Summary of Controls

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

<u>General Fund</u>	<u>Revenue (GF)</u>			<u>Expenditures (GF)</u>		
	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Budget	68,413,535	71,867,858	73,461,414	73,263,335	76,078,745	76,542,950
Actual	69,812,571	71,168,195	76,738,701	70,725,803	72,240,592	74,268,418
Difference	1,399,036	(699,663)	3,277,287	(2,537,532)	(3,838,153)	(2,274,532)
% Difference	2.04%	-0.97%	4.46%	-3.46%	-5.04%	-2.97%

(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 \$2,274,532, or 2.97%, attributed to savings in regular education instruction, programs for children with handicapping conditions, pupil services, and employee benefits.
- The Business Office prepares expenditure projections beginning in January of each year. During the budget season, there is ongoing communication between the Business Office, Administrators, Directors, and the Board of Education to refine the District’s budget.

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- Budget transfers over \$10,000 are included in the Board of Education reports. The Business Office has established a process whereby budget transfers that are less than the Board of Education's required approval threshold of \$10,000 are reviewed and approved by the Deputy Superintendent. The District Treasurer reviews the to/from accounts and posts the budget transfer requests in nVision.

Observations/Recommendations

4. The District has not prepared a multi-year budget or financial plan.
 - *The District should develop a long-term financial plan for operational expenses, which should be updated annually, reviewed, and approved by the Board of Education. A long-term financial plan will assist the District in the budget development process and facilitate better projections of future costs.*

3.ACCOUNTING AND REPORTING

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

Summary of Controls

- The District's total general fund balance fluctuated from \$10,688,695 in 2019/2020 to \$13,206,818 in 2020/2021. The following table summarizes the District's fund balance during fiscal years 2018/2019 through 2020/2021:

<u>General Fund</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Total Revenues	69,812,571	71,168,195	73,878,941
<i>Change From Prior Year</i>	<i>N/A</i>	<i>1,355,624</i>	<i>2,710,746</i>
<i>% Change From Prior Year</i>	<i>N/A</i>	<i>1.94%</i>	<i>3.81%</i>
 Total Expenditures	 70,250,529	 70,891,876	 73,958,238
<i>Change From Prior Year</i>	<i>N/A</i>	<i>641,347</i>	<i>3,066,362</i>
<i>% Change From Prior Year</i>	<i>N/A</i>	<i>0.91%</i>	<i>4.33%</i>
 Excess (Deficiency) Of Revenues Over Expenditures	 <u>(437,958)</u>	 <u>276,319</u>	 <u>(79,297)</u>
<i>Change From Prior Year</i>	<i>N/A</i>	<i>714,277</i>	<i>(355,616)</i>
<i>% Change From Prior Year</i>	<i>N/A</i>	<i>-163.09%</i>	<i>-128.70%</i>
 Total Other Uses Interfund Transfers Out	 <u>(475,274)</u>	 <u>(1,348,716)</u>	 <u>2,549,580</u>
<i>Change From Prior Year</i>	<i>N/A</i>	<i>(873,442)</i>	<i>3,898,296</i>
<i>% Change From Prior Year</i>	<i>N/A</i>	<i>183.78%</i>	<i>-289.04%</i>
 Net Change in Fund Balance	 <u>(913,232)</u>	 <u>(1,072,397)</u>	 <u>2,470,283</u>
<i>Change From Prior Year</i>	<i>N/A</i>	<i>(159,165)</i>	<i>3,542,680</i>
<i>% Change From Prior Year</i>	<i>N/A</i>	<i>17.43%</i>	<i>-330.35%</i>

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Beginning Fund Balance	12,674,324	11,761,092	10,736,535
Ending Fund Balance	11,761,092	10,688,695	13,206,818
<i>Change From Prior Year</i>	<i>N/A</i>	<i>(1,072,397)</i>	<i>2,518,123</i>
<i>% Change From Prior Year</i>	<i>N/A</i>	<i>-9.12%</i>	<i>23.56%</i>

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

- The Business Office maintains up-to-date journals and ledgers for all District funds.
- The Business Office has implemented within nVision controls to ensure 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: District Treasurer reports, appropriation status reports, revenue status reports, trial balance, and bank reconciliation reports. Additionally, the Board of Education receives monthly Extraclassroom Activity Fund reports from the District Treasurer.
- The District has contracted with an independent auditor to review and provide an opinion of the annual financial statements. The external auditor presents an annual report to the Board of Education indicating the audit procedures and a summary of the audit results for the year. The Board of Education reviews and accepts the Annual Financial Report.
- The District has contracted with an internal Claims Auditor to review the claims and the warrants on a weekly basis. The review function of the accounts payable checks, supporting documentation, and check registers are documented and provided in a summary form to the Board of Education.

Observations/Recommendations

5. A journal entry form is not in place to formally document the request and approval of journal entries. It is current practice that the Deputy Superintendent reviews the journal entry report generated by nVision and supporting documentation after the journal entries are posted in the system.
 - *The Business Office should develop a standardized journal entry form to document the request and approval of journal entries. The journal entry forms should document the requestor, the request date, the account codes, the approver, and the approval date and should be accompanied by an explanation and documentation supporting the transaction. We recommend that the Deputy Superintendent review and sign all journal entry forms within one (1) month of processing. This will ensure that journal entries are reviewed and approved in a timely manner. As an alternative, the Business Office should consider cost-benefit options of developing application controls within nVision to review and approve journal entries electronically. The supervisory review of the journal entries prevents an employee from entering improper entries into the system without being detected.*

4. REVENUE AND CASH MANAGEMENT

The objective of our risk assessment within the Revenue and Cash Management area is to assess whether controls are in place to ensure that all 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

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the proper internal controls, such as adequate separation of duties, ongoing monitoring of functions, adequate security, and timely reconciliations.

Summary of Controls

- The District's total governmental fund revenue increased by \$10,212,241, or 12.30%, from \$73,938,479 in 2018/2019 to \$84,150,720 in 2020/2021 as follows:

<u>Revenues</u>	<u>2018/2019</u>		<u>2019/2020</u>		<u>2020/2021</u>	
Real Property Taxes	36,128,007	51.75%	37,272,118	52.37%	39,099,767	52.92%
Other Tax Items	3,486,812	4.99%	3,096,594	4.35%	3,054,788	4.13%
Charges For Services	90,531	0.13%	56,142	0.08%	79,406	0.11%
Use of Money & Property	735,077	1.05%	352,865	0.50%	94,081	0.13%
Sale of Property & Compensation For Loss	18,131	0.03%	368,521	0.52%	22,749	0.03%
Miscellaneous	787,218	1.13%	482,189	0.68%	843,955	1.14%
State Sources	28,566,795	40.92%	29,539,766	41.51%	29,975,943	40.57%
Federal Sources	-	0.00%	-	0.00%	708,252	0.96%
Total Revenues	69,812,571	100.00%	71,168,195	100.00%	73,878,941	100.00%
<i>Change from Prior Year</i>	<i>N/A</i>		<i>1,355,624</i>		<i>2,710,746</i>	
<i>% Change from Prior Year</i>	<i>N/A</i>		<i>1.90%</i>		<i>3.67%</i>	

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

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

<u>Receivables- General Fund</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Taxes Receivable	1,027,195	1,328,895	1,385,919
State And Federal Aid Receivable (*)	1,965,501	2,890,750	3,574,233
Due from Other Funds	2,387,417	2,685,629	1,719,109
Other Receivables, Net	97,319	12,300	37,800
Total Receivables	5,477,432	6,917,574	6,717,061
<i>Change From Prior Year</i>	<i>N/A</i>	<i>1,440,142</i>	<i>(200,513)</i>
<i>% Change From Prior Year</i>	<i>N/A</i>	<i>26.29%</i>	<i>-2.90%</i>

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

- The Facilities Department monitors the building usage. Internal and external groups are required to fill out an application and provide an insurance certificate for use after school hours. The application is reviewed and approved by the Facilities Director. Additionally, the District utilizes a standard fee, which is communicated to user groups and listed on the permit prior to the actual usage of the facility. The Business Office tracks the certificates of insurance, building usage billings, and receipts.
- The Board of Education accepts monetary donations. The Board's approval is documented within the Board of Education minutes. The Business Office records monetary donations in nVision and assigns proper budget codes.

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- 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 nVision in numeric sequence, including voids. The District Treasurer reconciles the cash receipts to the actual deposits during the bank reconciliation process.
- Responsibilities for cash receipt functions are segregated from cash disbursement duties.
- The Board of Education approves all depository banks utilized by the District at the reorganizational meeting.
- The Board of Education has approved petty cash accounts for elementary level schools (\$75) and secondary level schools (\$100). When the accounts require replenishment, the Main Offices prepare a standard petty cash voucher for each receipt. The Business Office reviews and signs off the petty cash voucher before forwarding it to the Accounts Payable for processing.

Observations/Recommendations

6. The District's deposits are secured by collateral through the District's 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 of Education on a monthly basis.*
7. The Business Office has not established dual controls in preparing and releasing bank wire transfers.
 - *We recommend that the District implements dual controls for preparing and releasing wire transfers. Dual controls help segregate duties such that one individual can initiate the transaction while a second individual must verify, approve and release the transaction.*

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5.GRANTS

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

Summary of Controls

- The following table summarizes the budgetary and actual grants revenue as reported on the Federal and State Grant Status Report from the New York State Education Department during the fiscal year 2020/2021:

<u>Project Number</u>	<u>Project Description</u>	<u>Budget Total</u>	<u>Paid to Date</u>	<u>Difference</u>
5890-21-0640	CARES ACT - ESSER	622,780	622,780	-
5895-21-0640	CARES ACT - GEER	105,551	105,551	-
0409-21-7038	UNIVERSAL PRE-K GSPS	266,721	266,721	-
0021-21-0640	TITLE I-PT A-IMPROV ACAD ACHMT F/DIS	563,435	563,435	-
0032-21-0171	IDEA-PART B, SECTION 611	796,576	796,576	-
0033-21-0171	IDEA-PART B, SECTION 619	38,510	38,510	-
0011-21-3010	TITLE I, SCHOOL IMPROVEMENT	86,495	86,495	-
0147-21-0640	TITLE IIA, TEACH/PRIN TRNG/RECRUITMENT	63,030	63,030	-
0204-21-0640	TITLE IV- SSAE ALLOCATION	34,639	34,639	-
5880-21-0640	ARP ESSER 3	4,223,121	422,312	3,800,809
5891-21-0640	CRRSA-ESSER 2	2,259,900	1,216,396	1,043,504
5896-21-0640	CRRSA-GEER 2	70,145	53,856	16,289
Total		9,130,903	4,270,301	4,860,602

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

- The Grant Administrators, Deputy Superintendent, and District Treasurer periodically monitor the actual costs and compare them to estimated costs.
- The Business Office and the Grant Administrators prepare the following documents when applying for grants:
 - Form FS-10 – Proposed Budget for a Federal or State Project
 - Form FS-25 – Request for Funds for a Federal or State Project
 - Narratives
 - Data Related To The District’s Demographics
 - Assurances
 - Curriculum Documentation And Plans

The District Treasurer reviews the grant applications and budgets for accuracy.

- The grant applications are reviewed and approved by the Superintendent of Schools. The grant applications are submitted in a timely manner. The District receives grant award notices.
- Deposits from grant funding are traced to the bank statements.

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- The District Treasurer maintains the following documentation within each grant file:
 - Budget Report and Budget Amendments
 - Form FS-25 – Request for Funds for a Federal or State Project
 - Form FS-10F – Final Expenditure Report for a Federal or State Project
 - Correspondence to Business Office and Payroll
 - Reports from nVision indicating revenues and expenditures

Observations/Recommendations

8. The District follows the New York State Education Department procedures regarding purchasing with grant funds. The District has not developed written policies and procedures to ensure that purchases and salary codes under federal awards comply with the requirements of the Uniform Guidance.
 - *The District should update its policy manual and develop formal guidelines pertaining to the governance, accounting and reporting, purchasing, payroll, and fixed assets purchased through grant funds to comply with the requirements of the Uniform Guidance. The documented procedures should be reviewed and updated annually to maintain relevance and reflect regular changes in grant processing.*
9. The Grants Department does not perform monthly payroll certifications for employees whose salary is partially compensated by federal funded programs as required by the Office of Management and Budget
 - *The Grants Department should obtain completed payroll certifications for all grant employees. (Semi-annually for employees whose salary is 100% paid by grant funds and monthly for employees whose salary is partially paid by grant funds) Employees who have not submitted completed payroll certifications should be contacted to submit current certifications. This will assist the District with adhering to the reporting requirements of OMB Circular A-133 – Certification of Payroll Funded through Federal Awards.*

6. PAYROLL

The objective of our risk assessment was to determine if the internal controls over payroll are adequate so that assets are properly safeguarded and 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 is prepared and submitted by the District Treasurer.
- The Superintendent of Schools certifies the District-wide payroll.

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

Observations/Recommendations

10. Although the Payroll Office issues annual salary notices to District employees, they are not signed by the employees indicating their acknowledgment.
 - *We recommend the District implement a process to have all District employees sign their acknowledgment of their annual salary notices and maintain a copy in the employee's personnel file. An alternative to the above recommendation is to analyze the nVision application's capabilities to make the employee salary notices available electronically via email or portal to all employees for their review.*
11. The payroll comparison report indicating changes in salary, pay rate, and deductions is generated and reviewed by the Payroll Clerk for each payroll, who is also responsible for entering any payroll changes into nVision. Payroll comparison reports are not actively reviewed and approved by the Superintendent of Schools.
 - *The Deputy Superintendent, or other designee, should perform a formal review of payroll changes and examine the gross pay of the current to the previous period payroll for reasonableness prior to disbursement. The review process should be documented and signed off by the reviewer. This control will assist the District in increasing its oversight over changes in employment status (e.g., additions and terminations), salary, and wage rates.*
12. The District has not developed a standard pre-approval form to document employee requests for overtime. It is current practice that direct supervisors request overtime for their employees verbally or via email. Overtime is recorded on individual timesheets, which are reviewed and approved by the employee's direct Supervisor and Deputy Superintendent.
 - *The District should utilize a pre-approval form to document the request and approval of overtime work. Prior written authorization should be required for all nonemergency overtime hours and should be granted only for specific and verifiable purposes. In emergencies, supervisors should verbally request/preapprove overtime and follow up with a review of overtime records to determine the appropriateness of overtime hours incurred. Prior written or verbal approval allows Management to ensure that overtime is incurred for a valid and needed purpose and that funding for the nonemergency overtime is provided for in the budget.*

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7. HUMAN RESOURCES

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

Summary of Controls

- The Personnel Office posts positions internally and externally through OLAS. Building level Administrators interview the candidates and make recommendations to the Superintendent of Schools. Prior to the employee appointment, the Personnel Office performs background checks, fingerprint clearances, credential confirmation, and reference checks. The Board of Education approves the appointment, documented within the meeting minutes.
- The Personnel Office processes the hiring documentation and enters the new employee demographic information into nVision.
- The Personnel Office maintains a confidential personnel file for each former and current employee.
- New hires are required to fill out an oath of allegiance, which is part of their onboarding packet.
- Instructional and non-instructional employees document the request and approval of their leave days through leave request forms. The Personnel Office reviews the accrual leave balances of each employee on an annual basis. The review process is conducted by analyzing the date, amount, and type of leave days reported on the leave request forms and in nVision.
- Employees who wish to retire or resign are required to notify the Personnel Office in writing via a resignation letter. The Payroll Department prepares the employee's final payout calculation based on the employees' leave accrual balances and related bargaining unit agreements, if applicable. The Deputy Superintendent reviews the calculations for accuracy prior to processing.

Observations/Recommendations

13. The District does not utilize an exit checklist when employees are terminated or leave the District.
 - *We recommend that the Personnel Office consider implementing an exit checklist when an employee is terminated or leaves the District. The District should also utilize the exit checklist to document that all property in the employee's custody, including but not limited to laptops, badges, keys, cell phones, etc., has been returned. The exit checklist will provide the support that proper procedures are followed when employees are terminated.*
14. The District has not established a process to evaluate non-instructional staff in a consistent manner. Additionally, the Personnel Office does not actively review Frontline to determine whether evaluations for instructional staff have been completed.
 - *The District should continue its efforts in evaluating the non-instructional employees on an annual basis to adhere to the employee bargaining unit agreement or contract. The Personnel Office should ensure that the respective employees sign their employee evaluation forms. The*

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Personnel Office should review annually the Frontline application to ensure that instructional employee evaluations are complete. This will ensure that the District properly communicates to its employees their performance and expected goals and that the employee personnel files are complete.

15. The Personnel Office does not maintain an employee seniority list indicating the length of continuous employment with the District.

- *The Personnel Office should maintain an employee seniority list indicating the length of continuous employment with the District. The seniority list should include employment dates, credentials, and prior experience, if applicable. Contents of this list shall be shared with the applicable bargaining units annually and utilized by the District during the budget season and in the event of layoffs.*

8. BENEFITS

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

Summary of Controls

- The District’s employee benefits remained consistent and ranged from \$15,182,076 in 2019/2020 to \$15,643,631 in 2020/2021, as follows:

	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Employee Benefits	15,252,191	15,182,076	15,643,631
<i>Change from Prior Year</i>	<i>N/A</i>	<i>(70,115)</i>	<i>461,555</i>
<i>% Change from Prior Year</i>	<i>N/A</i>	<i>-0.46%</i>	<i>3.04%</i>

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

- The District offers health insurance coverage to all full-time and part-time employees. Depending on the bargaining unit agreement, BOCES employees are offered dental, life insurance, and long-term disability.
- The Business Office uses enrollment forms to enroll 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 Business Office records eligibility data for single or family coverage within nVision. Additionally, the Business Office transmits online or through facsimile the eligibility data to the insurance carriers.
- The Business Office removes any benefit payables applicable to an employee on leave of absence. The Business Office sends notifications to the insurance carriers of the cancellation of benefits.

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- The Business Office calculates the benefits payable based on the notifications submitted by the employees, the bargaining unit agreements, and the individual employment agreements. Each month the Payroll Office compares billings and employee listings provided by the insurance carriers to the District's payroll deductions and benefits listings within nVision.
- The District distributes Healthcare Exchange Notifications to all employees indicating the availability of the federal mandated health insurance exchanges. The District provides this notification to all new hires as part of the orientation process.
- The District contracted with a consultant (CPI-HR) to analyze the District's compliance with the Patient Protection and Affordable Care Act (ACA).
- The Business Office tracks instructional and non-instructional employee retirement benefits within nVision. The Business Office reconciles Teacher Retirement System (TRS) monthly and Employee Retirement System (ERS) annually to the nVision employee payroll deduction.

Observations/Recommendations

- *No recommendations at this time.*

9. PURCHASING AND RELATED EXPENDITURES

The objective of our risk assessment within the purchasing and accounts payable area is to assess the internal controls in place so that the District's 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 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.
- The District's purchasing policy contains the required elements of General Municipal Law. In addition, the District utilizes state, county, and BOCES contracts to reduce the cost of bidding. The Business Office obtains written or verbal quotes for purchases not subject to the bid process.
- The District utilizes a purchase requisition module within nVision to generate purchase orders. The District has separated the functions of ordering (Building Level Secretaries), approving requisition (Department Heads and Building Administrators), approving purchase orders (Deputy Superintendent), receiving (Building Level Secretaries), invoice processing (Business Office), and voucher preparation (Business Office) to create appropriate separation of duties.
- The Business Office has established a process of obtaining Form W9 - Request for Taxpayer Identification Number and Certification prior to entering or changing vendor information in the nVision vendor database.
- The Business Office maintains vendor files and applicable payments in alphabetical and numerical order.

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- The Claims Auditor reviews claims prior to the payment release on a weekly basis. The Business Office continuously communicates to District employees the need to eliminate, to the extent possible, confirming purchase orders.
- The District Treasurer is the signatory on District checks and maintains custody over its electronic signature file. The District Treasurer utilizes its password-protected signatures to sign checks electronically.
- The District has a policy in place regarding the authorization and reimbursement of expenditures. The District utilizes MyLeaning Plan online platform for District employees to document their request, which the Deputy Superintendent approves prior to a conference. For reimbursement purposes, the District employees are required to submit to the Business Office supporting documentation such as invoices and proof of attendance.
- The District maintains an excel document for processing employee reimbursements which are signed and submitted to the Principal and then to the Business Office. The document is then submitted to the Deputy Superintendent for approval before the Senior Account Clerk processes for reimbursement.

Observations/Recommendations

16. A complete vendor database analysis has not been performed. The lack of review of the vendor database is a risk as unauthorized vendors may exist, and related payments can be processed.
- *The District should consider conducting, with the assistance of Nawrocki Smith, a vendor database analysis. This will allow the District to assess the current status of the database and, at the same time, identify solutions for ongoing maintenance of the vendor database. This will help ensure only vendors with ongoing business activities with the District are active and prevent duplicate payments to vendors with multiple entries in the database.*

10. FACILITIES MANAGEMENT

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

Summary of Controls

- The District utilizes the Master Library work order system to log, track and monitor the status of periodic maintenance or repair requests. A work order is initiated by the requestor through the system and forwarded to the Working Supervisor or Facilities Director, indicating the reasons for maintenance or repair. The Working Supervisor or Facilities Director forwards the request to a maintenance staff member 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 securing its equipment and storing hazardous materials.

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Observations/Recommendations

17. The Working Supervisor or Facilities Director do not inspect in a consistent manner the completed work orders to ensure the work was adequately and appropriately performed.
- *The District should have the Working Supervisor or Facilities Director actively inspect work order status and inspect the completed work orders. This will help the District ensure work orders are being performed timely and appropriately.*
18. The Facilities Department reviews equipment and maintenance schedules annually. Seasonal work, including air conditioners, filters, etc., is scheduled routinely throughout the year. This information is reviewed annually with the Deputy Superintendent and Facilities Director as part of the budgeting process. The Facilities Department does not have a formal preventive maintenance system in Master Library to track District-wide preventive maintenance schedule and applicable expenses.
- *The Facilities Department, with the assistance of the Business Office, should consider the cost-benefit of investing in a software system that will enhance the monitoring of equipment service failures and manufacturers' maintenance requirements and warranties. This will assist the Facility Department in improving its controls over the timely completion of the scheduled routine service calls and ensure that preventative maintenance inspections are completed in a timely manner. Furthermore, the District should consider maintaining separate account codes for ad-hoc and preventive maintenance expenses in nVision to assist the Facilities Department in identifying the equipment that needs replacement during the budgetary process.*
19. The District does not utilize GPS technology to monitor vehicle usage, location, efficiency, and performance.
- *The District should consider the cost/benefit options of utilizing GPS technology to monitor all or some of the District vehicles. A computerized monitoring system will allow the District to verify the location of each District vehicle, assess acceptable idle time and gas utilization, and receive real-time notifications of potential speeding violations.*

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11. CAPITAL PROJECTS

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

Summary of Controls

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

<u>Project Title</u>	<u>Revised Appropriations</u>	<u>Total Expenditures</u>	<u>Unexpended Balance</u>	<u>Methods of Financing</u>			<u>Total</u>	<u>Fund Balance as of June 30, 2021</u>
				<u>Proceeds From Debt</u>	<u>State Aid</u>	<u>Local Sources</u>		
Beacon HS Press Box	-	71,583	(71,583)	-	-	-	-	(71,583)
Beacon HS & Turf	3,945,911	4,175,426	(229,515)	3,495,527	-	732,780	4,228,307	52,881
James Forrestal	478,516	396,959	81,557	135,954	-	88,920	224,874	(172,085)
Glenham Elementary	424,939	174,801	250,138	137,465	-	78,840	216,305	41,504
Rombout	3,163,956	3,041,473	122,483	2,365,599	342,002	587,340	3,294,941	253,468
Sargeant	991,179	1,098,223	(107,044)	869,350	-	183,960	1,053,310	(44,913)
South Ave	690,499	736,538	(46,039)	549,103	-	128,160	677,263	(59,275)
BCS Capital Project	TBD	21,956	(21,956)	-	-	-	-	(21,956)
Smart School Bond	2,182,414	76,248	2,106,166	-	-	-	-	(76,248)
Total Capitalized	11,877,414	9,793,207	2,084,207	7,552,998	342,002	1,800,000	9,695,000	(98,207)

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

- The District maintains a Building Conditions Survey 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 Facilities Department, Architect, and Construction Manager, when applicable, monitor the capital project status. Any change orders are reviewed and approved by the Facilities Committee and the Board of Education. Invoices are reviewed by the Architect, Construction Manager, and Facilities Department prior to submitting them to the Business Office for payment processing.
- Upon completion of the capital project, the Architect submits the Substantial Completion Form, and the Business Office files the final cost reports to the State.
- The Architect and Facilities Department maintain all capital project related documents within each file.

Observations/Recommendations

- *No recommendations at this time.*

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

Summary of Controls

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

<u>Capital Asset</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Land	3,852,640	3,852,640	3,852,640
Construction in progress	1,858,288	9,179,549	169,788
Land Improvements	40,372	24,637	8,902
Building & Improvements	57,822,292	55,944,031	63,577,476
Furniture and equipment	318,991	364,611	319,433
Vehicles	1,260,142	968,091	787,835
Capital Asset, Net of Accumulated Depreciation	65,152,725	70,333,559	68,716,074

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

- The Board of Education approves all fixed asset disposals.
- The District has a capitalization policy of \$1,000 or more for financial statement reporting purposes. The District also monitors equipment that costs \$500 or more for insurance purposes. Fixed assets are recorded at historical costs and depreciated on a straight-line basis.
- The District’s Information Technology department tags all equipment relevant to their Department.

Observations/Recommendations

20. The District has not developed a process to affix inventory tags to fixed assets in a consistent manner. The lack of inventory tags increases the risk of the Business Office not tracking or locating fixed assets within the District premises.
 - *All Administrators, Department Heads, and employees who sign off on the receiving copy of the purchase order should be required to attach inventory tags on the applicable fixed assets.*
21. The District has not recently performed a fixed asset appraisal and does not conduct periodic physical observations of fixed assets to ascertain their location and/or existence. The District does not perform a reconciliation of the additions reported on the property ledger to the cash disbursements for equipment codes reported in nVision.
 - *The District should also consider contracting with a third-party consultant to conduct a complete fixed asset appraisal to assess the existence and value of the District’s fixed assets. The District should also designate an employee to perform a periodic fixed asset inspection during the year to verify whether control procedures are being followed and that fixed assets are properly*

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safeguarded. Comparing physical inspections to property records will identify missing equipment, equipment disposed of without authorization, and untagged equipment. The same employee should reconcile the additions reported on the property ledger to the cash disbursements for equipment codes reported in nVision will ensure the accuracy of the reported fixed asset costs.

13. FOOD SERVICE

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

Summary of Controls

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

<u>Food Service Program Revenues</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Use of Money and Property	1,393	456	32
State Sources	22,243	27,129	41,709
Federal Sources	669,581	765,747	1,199,821
Sales	602,331	395,002	25,000
Total Revenue	1,295,548	1,188,334	1,266,562
<u>Food Service Program Expenditures</u>			
Employee Benefits	138,423	159,829	170,999
Cost of Sales	1,319,979	1,276,887	1,144,649
Total Expenditures	1,458,402	1,436,716	1,315,648
Excess (Deficiency) Of Revenues Over Expenditures	(162,854)	(248,382)	(49,086)
<u>Other Sources & Uses</u>			
Operating Transfers In	100,000	100,000	49,086
Total Other Sources & Uses	100,000	100,000	49,086
Fund Balance - Beginning of the Year	329,504	266,650	118,268
End of the Year	266,650	118,268	118,268
3 Mos AVG Expenditures	437,521	431,015	394,694
Difference	(170,871)	(312,747)	(276,426)

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

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- The District has a self-operated school lunch program. The Head Cooks order food weekly and update an inventory of supplies monthly. The Food Service Director reviews and approves the weekly food supply orders.
- The Board of Education has adopted a school lunch/nutrition and Wellness policy.
- The District utilizes the Heartland Mosaic POS system to record sales and meal counts at all building cafeterias. The POS system improves confidentiality control over meal participants.
- The Food Service Director assigns the Cashiers and Cook Managers to conduct a double count verification of cash received daily at each register. Additionally, overages/shortages are investigated.
- Parents can utilize the Heartland Mosaic POS system to receive notifications and apply for free or reduced-priced meals. The Business Office conducts an income verification of a sample of applications in accordance with State regulations.
- The District claims federal and state aid for its lunch programs. The Food Service Department prepares monthly operating statements and forwards them to the Business Office for review. The Business Office reports the monthly operating statements to the State through the State's website.
- The Food Service Director is in the process of conducting complete physical inventory counts and monthly reconciliations during the fiscal year 2022/2023.

Observations/Recommendations

- *No recommendations at this time.*

14. EXTRACLASSROOM ACTIVITY FUND

The objective of our risk assessment within the extraclassroom activity fund is to assess whether District personnel and students have controls in place safeguarding their assets. The District should have policies and procedures administering the operations of the extraclassroom activity fund. We interviewed key personnel and reviewed pertinent documentation to assess whether this functional area has the proper internal controls.

Summary of Controls

- The District had 42 extraclassroom activity clubs within the secondary level schools during 2020/2021. The District reported a total fund balance of \$151,791 within the extraclassroom activity funds at the end of the fiscal year 2020/2021 as follows:

<u>Clubs</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
42	144,223	99,738	92,170	151,791

- All extraclassroom clubs, treasurers, and advisor stipends are approved by the Board of Education.
- All extraclassroom activity clubs designate a Student President and Student Treasurer annually.
- Cash from events is recorded on a standard deposit form and then brought to the ECAF Treasurer to be double counted. All deposits are made on a daily basis, if possible. If not, deposits are kept overnight in a locked safe and deposited by the Courier the following business day.

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- Check request forms are completed by Faculty Advisors and signed by Student Treasurers. The form, invoice, and supporting documentation are forwarded to the ECAF Treasurer for payment processing.
- The District Treasurer prepares monthly bank reconciliations and reports indicating the receipts, disbursements, and balances for each Extraclassroom Activity Club to the Board of Education.

Observations/Recommendations

22. The District has not established a process requiring the Club Advisors to submit club attendance rosters to their Principals for review and approval before processing their respective stipend within payroll.
- *The District should consider developing a process requiring the Extraclassroom Activity Advisors to submit to their Principals a stipend request form, meeting attendance sheets, and activity reports (meeting minutes) indicating their clubs' meeting dates and accomplishments. Upon receipt, the Principals should notify the Payroll Department to process their stipend payment.*
23. It was represented that profit and loss statements are not utilized in a consistent manner.
- *The District should consider reviewing and updating, where needed, the District's extraclassroom activity training and guidance pertaining to the process preparing profit and loss statements and of student involvement and attendance in fundraising, deposits, disbursements, sales tax, and accounting procedures.*
24. The Principals do not formally approve fundraising events in a consistent manner and do not maintain a list of fundraising events.
- *The District should develop a process whereby the Principals formally review and pre-approve fundraising events. A list of fundraising events should be maintained to track the amounts raised and frequency of fundraising by building. These recommendations will assist the District in increasing its oversight of the fundraising activities and assist the Central Treasurer in monitoring expected and actual collections from fundraising events.*
25. The District has not appointed a Faculty Auditor for the Extraclassroom Activity Fund to independently audit and reconcile the Central Treasurer's and Club Advisors' account ledgers.
- *According to the NYSED Extraclassroom Activity Fund guidelines, the District should appoint a Faculty Auditor to review all Extraclassroom Activity Fund transactions to ensure that all collections and disbursements are supported, approved, and processed accurately. The Faculty Auditor should be an individual distinct and separate from other appointed officers. The Faculty Advisor should reconcile monthly The Central Treasurer and Club Advisors' ledgers to ensure they are complete and accurate. This will enhance the District's oversight of internal controls over the Extraclassroom Activity Fund and ensure compliance with State Education Guidelines.*

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15. INFORMATION SYSTEMS

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

Summary of Controls

- The District's policy manual includes a computer acceptable use policy. District officers and employees are required to acknowledge their receipt of the District's computer use policy prior to gaining access to a District computer.
- The Information Technology Department has oversight of creating, modifying, and deleting user accounts in the District's active directory. The Deputy Superintendent has oversight over the user accounts in nVision and assigns access to individuals based on their job duties and responsibilities.
- The Information Technology Department is responsible for maintaining the District's information system governance security, network security, and financial application security.
- The Information Technology Department utilizes web-filtering, firewall, malware, intrusion detection, and antivirus applications to protect and secure the District's network from unauthorized users or malicious external threats.
- The District maintains daily backups of the data maintained within the Active Directory, nVision, Heartland Mosaic POS system, and emails that are saved onto District servers. The Information Technology maintains offsite backups through a cloud provider and receives daily reports on the status of the backup procedures.
- Wireless access points at the building level are password-protected and encrypted to secure the District's network from unauthorized users.

Observations/Recommendations

26. The District has not updated its technology plan since the fiscal year ended June 30, 2021.

- *The District should update its technology plan to indicate the District's current technology goals, infrastructure, inventory, software and support, curriculum, professional development, investment plan, the status of initiatives, and monitoring and evaluation.*

We have reviewed the policies, procedures, and internal controls pertaining to the District's information technology cycle. Due to the potential sensitive nature of this information, we have discussed our observations and recommendations with the Management team.

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16. CYBERSECURITY

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

Summary of Controls

- The District entered into confidentiality agreements with third-party contractors who receive PII to protect student data. The relevant agreements and parent bill of rights are posted on the District's website.
- The District has a Board-approved information security breach and notification policy to address events of Personal Identifiable Information ("PII") compromises or breaches.
- The District stores personal identifiable information ("PII") in various applications that are password protected. The Information Technology Department has developed controls for users to change their password periodically.
- The Information Technology Department has implemented an intrusion detection system (IDS) to inspect inbound and outbound network activity and to identify suspicious patterns that may indicate a network or system attack from unauthorized users attempting to break into or compromise the District's network. The Information Technology Department utilizes Cisco firewall/firepower logs to monitor unusual traffic in emails and in the Active Directory.

Observations/Recommendations

27. 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 District 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 have a third party 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.*

We have reviewed the policies, procedures, and internal controls pertaining to the District's cybersecurity cycle. Due to the potential sensitive nature of this information, we have discussed our observations and recommendations with the Management team.

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17. STUDENT DATA MANAGEMENT

The objective of our risk assessment was to determine whether the district adequately controls access to student data management. Strong internal controls for the District's student data management system include proper separation of duties, appropriate permissions to the respective modules within the computer system and assurance of 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

- The District utilizes PowerSchool to register students within the District. Parents can utilize the PowerSchool online application forms to enter the student's information and upload proof of residence, including birth certificates, immunization records, and transcripts. The Registration Office reviews the documents and imports the student's demographic data into PowerSchool.
- The building level Main Offices uses PowerSchool to track student attendance and monitor exception reports for students who are chronically absent. The District has assigned the building-level administration to monitor the accuracy of the student attendance data entry.
- PowerSchool is an electronic grade book system to maintain class rosters, track students' grades (input by District staff) and academic progress, monitor student performance, generate student report cards, and maintain permanent student records (i.e., transcripts).
- The District has developed a form and procedure to document a request for a change in student grades subsequent to the lock-out date of a marking period. The requests are forwarded to the Principal for approval and then to PowerSchool Administrators to make the appropriate changes.
- The building level Administrators and Athletic Coaches are responsible for tracking the PowerSchool student attendance and academic reports each quarter to determine their eligibility to participate in sporting and extracurricular events. If a student is chronically absent, the building level Administrators and Athletic Coaches determine if the student is ineligible to participate.

Observations/Recommendations

- *No recommendations at this time.*

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18. PUPIL PERSONNEL SERVICES

The Pupil Personnel Service (PPS) environment is ever-changing as demands for services are on the rise, as are the costs associated with such services. As a result, Districts are finding it more and more difficult to monitor spending and properly budget for subsequent 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 District's program for students with disabilities comprised, on average 16.98% of total expenditures. Students with disabilities expenditures remained consistent over the time period analyzed: as follows:

	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Programs for Children with Handicapped Conditions	12,491,076	12,053,049	12,321,259
<i>Change from Prior Year</i>	<i>N/A</i>	<i>(438,027)</i>	<i>268,210</i>
<i>% Change from Prior Year</i>	<i>N/A</i>	<i>-3.63%</i>	<i>2.18%</i>
Total Expenditures	70,725,803	72,240,592	74,268,418
<i>% of Expenditures</i>	<i>17.66%</i>	<i>16.68%</i>	<i>16.59%</i>

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

- The Special Education Department and the Business Office have ongoing communications with respect to planning during the budget season. The Special Education Department prepares a detailed breakdown of the students and applicable services provided within the District and at separate locations.
- The Special Education Department utilizes Frontline IEP Direct to document and track the students with an Individual Education Program (IEP) and related services.
- The Special Education Department and a third-party consultant review the Automated Verification Listing (AVL) to verify student enrollment dates, placements, and costs per the level of services on student IEPs.
- 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

28. The District utilizes a consultant to process and submit STAC claims to NYSED on behalf of the District. The District determines which students are STAC eligible after reviewing their IEPs for STAC eligible services and associated costs. This includes students enrolled in District-operated, BOCES, and other public and private school programs. The District is responsible for obtaining all required student information for those students determined to be STAC eligible, as well as the documentation needed to calculate each student's STAC cost before forwarding it to the consultant. The external auditors noted an instance where the consultant submitted STAC claims to NYSED for a cost the District did not incur.

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- *The Special Education Department and the third-party consultant should investigate the reasons surrounding the reporting discrepancies to NYSED, obtain supporting documentation, and confirm the validity of the service costs reported on the STAC application system.*

29. The Special Education Department and the Business Office have not established a formal process to reconcile STAC and Medicaid claims to payments received by the District.

- *We recommend that the Special Education Department implement procedures to formally reconcile STAC and Medicaid claims to the payments received by the District. This will ensure that the District is receiving all state aid funds owed to them for STAC and Medicaid claims.*

19. TRANSPORTATION

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

Summary of Controls

- The District’s transportation expenditures have decreased by \$906,135, or 27.93%, from \$3,244,440 in 2108/2019 to \$2,338,305 in 2020/2021 as follows:

	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Pupil Transportation	3,244,440	3,009,551	2,338,305
<i>Change from Prior Year</i>	<i>N/A</i>	<i>(234,889)</i>	<i>(671,246)</i>
<i>% Change from Prior Year</i>	<i>N/A</i>	<i>-7.80%</i>	<i>-28.71%</i>

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

- The District maintains its bus and van fleet to provide student busing services, including AM and PM routes, private placements, special education, athletics, and field trips. The District has contracted transportation services with Dutchess County to cover bus route shortages.
- Transportation is provided for regular education students in grades kindergarten through grade 12 who are more than a 1½ half-mile from their school.
- The District purchases fuel for the vendor and the Transportation Department utilizes Transfinder and Excel spreadsheets to calculate the mileage and track the fuel consumption. The Transportation Department reviews and analyzes the transportation fuel logs for accuracy and activity trends.
- The Transportation Department utilizes Transfinder routing software to develop, schedule, and monitor school bus routes, bus drivers, fuel, and aides.
- The Transportation Department receives a notification from the New York State Department of Motor Vehicles of bus driver disqualifications.

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- The Transportation Department maintains the District drivers' 19A files to ensure compliance with DMV 19A file requirements.
- Transportation contracts are in compliance with New York State Education Department guidelines and state and federal regulations. Contracts are filed with New York State Education Department in a timely manner.

Observations/Recommendations

- *No recommendations at this time.*

20. SAFETY & SECURITY

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

Summary of Controls

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

Observations/Recommendations

- *No recommendations at this time.*

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21. INSURANCE / RISK MANAGEMENT

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

Summary of Controls

- The District maintains insurance policies with NYSIR regarding student accidents, construction, general liability, property, casualty, and cyber-attack coverage. The District is self-insured for workers' compensation claims.
- The Business Office is responsible for monitoring certificates of insurance. The certificates are sent to NYSIR for review and approval.
- The Business Office maintains the insurance portfolio and ensures the timely renewal of policies.
- The Business Office has access to the NYSIR's website to submit a claim. The insurer discusses the coverage, exclusions, and deductibles with the Business Office. The employees file their claims with the building level Administration for workers' compensation. The Business Office and the District's third-party administrator review the causes of the incident and approve or deny the claim. The Business Office and the District's third-party administrator maintain copies of the claim and applicable supporting documentation on file.

Observations/Recommendations

30. It was represented that the insurance broker representative has not conducted inspections or reviewed claims and contracts to identify the District's risk areas and ensure proper insurance coverage in recent years.
- *We recommend the District and its insurance broker work towards conducting annual inspections and reviews of claims and contracts to identify the District's risk areas. The Business Office and its insurance carrier should review the insurance policies and applicable premium amounts, payouts, and coverage to ensure that the District appropriately transfers its risk exposure. This will assist the District in identifying that sufficient insurance coverage is maintained.*