



INTERNAL CONTROL RISK ASSESSMENT for 2021-22 Cycle

RUSH-HENRIETTA CENTRAL SCHOOL DISTRICT



**Rush-Henrietta Central School District
2034 Lehigh Station Road
Henrietta, NY 14467**

April 5, 2022

Table of Contents

Page

<u>BACKGROUND/OBJECTIVE</u>	<u>3</u>
<u>INFORMATION GATHERING</u>	<u>3</u>
<u>PROCEDURES APPLIED</u>	<u>4</u>
<u>RESULTS</u>	<u>5</u>
<u>SUMMARY</u>	<u>8</u>
<u>CLOSING COMMENTS</u>	<u>8</u>
<u>APPENDIX A</u>	

BACKGROUND/OBJECTIVE:

In 2005, the Office of the New York State Comptroller (OSC) along with the New York State Education Department (SED) produced the “Five-Point School Financial Accountability Plan.” The Plan promotes stronger internal controls, improves school district audits and strengthens the roles of boards of education in conducting appropriate oversight. One component of the Five-Point Plan requires all districts to establish an internal audit function, which must include the development, annual updating, and reporting on a risk assessment of district operations.

The Rush-Henrietta Central School District (“Rush-Henrietta” or sometimes referred to as “The District”) outsourced its internal audit function and engaged EFPR Group, LLP (“EFPR” formally EFP Rotenberg) to serve as its internal auditor. The risk assessment was last updated in a report issued on April 28, 2021.

In February 2022, we again reviewed relevant reports and documents and met with a variety of administrative staff to update our understanding of the processes and existing controls over District operations. This report is the product of our updated assessment of the District’s risk profile and is intended to satisfy the annual update as required by the “Five Point Plan.”

Our approach to understanding controls was to meet with appropriate personnel for each respective area and to discuss and understand processes and procedures. In addition, where necessary, we performed walk-throughs of transactions cycles and/or performed tests of transactions. After compiling this information, the audit areas were prioritized into three categories: high risk, moderate risk, and low risk.

This risk assessment identifies the areas that we believe are most susceptible to material misstatements going undetected, given existing procedures and internal controls in those areas. Strengthening control procedures helps increase the likelihood that any such misstatements would be detected and corrected by staff and management during the normal course of their duties.

INFORMATION GATHERING:

In performing our risk assessment, we reviewed the following district records:

- Financial statements for year ended June 30, 2021
- Management letters for year ended June 30, 2021
- Extraclassroom Activities financial statements and management letter for year ended June 30, 2021
- Policy manuals
- Board minutes
- Tax Collector reporting
- Internal Claims Auditor reporting
- Schedule of outstanding accounts receivable
- Budget Status Report
- Overtime reporting
- Accounts payable warrants
- Payroll registers
- Bank reconciliations

INFORMATION GATHERING (Continued):

We also interviewed the following individuals:

- Kelly Aylward, Treasurer, Purchasing Agent
- Mary Ann Exler, Budget Technician
- Susan Faynor, Extraclassroom Activities Central Treasurer – High School
- Maria Hamilton, Internal Claims Auditor
- Nicole Lougheed, Payroll Clerk
- Brad Malone, Director of Information and Communication Technology
- Robin Meaker, Benefits Clerk
- Ken Nelson, Facilities Director
- Shirley Smith-Gravanda, Transportation Director
- Jeanne Stratton, Cash Receipts
- Rachel Sullivan, Accounts Payable Clerk
- Geraldo Torres, Food Service Director
- Andrew Whitmore, Assistant Superintendent for School Finance & Operations
- Mandy Yantz, Payroll Supervisor

PROCEDURES APPLIED:

In February 2022, EFPR met with the staff noted above to update our understanding of current personnel, processes, and procedures. We employed guidelines established by the New York State Education Department (SED) and the Office of the State Comptroller (OSC) as a basis for determining the adequacy of existing controls and processes over District operations. Significant changes in personnel and procedures (if applicable) were identified through discussions with management and staff. The changes were evaluated to determine their impact on the control environment and have been documented and incorporated in the revised risk assessment.

Each general area of the District and the specific control cycle is listed below with relevant observations for each. Our recommendations and suggested enhancements are summarized for your review. Finally, based on our evaluation, we have assigned each cycle a risk level. These levels can be listed as low, moderate or high.

RESULTS:

A summary table of the control cycles and their associated level of risk, from both the 2020-21 risk assessment and this year’s updated risk assessment, is presented below:

UPDATED RISK ASSESSMENT SUMMARY

CONTROL CYCLES	LEVEL OF RISK 2020-21	LEVEL OF RISK 2021-22	FINDINGS / COMMENTS / SIGNIFICANT CHANGES FROM PRIOR YEAR
Governance / Budgeting	Moderate	Low	No significant changes or concerns noted.
Cash Receipts and Revenues	Low	Low	No significant changes or concerns noted.
Transportation	Low	Low	No significant changes or concerns noted.
Food Service	Moderate	Low	District should continue to monitor the financial performance of the program closely in an effort to generate a surplus from operations this year.
Extracurricular Activity Fund	Low	Low	No significant changes or concerns noted.
Facilities, Equipment, and Inventory	Low	Low	No significant changes or concerns noted.
Purchasing, Claims, Accounts Payable, Cash Disbursements	Moderate	Moderate	No significant changes or concerns noted.
Payroll and Personnel	Moderate	Moderate	District should ensure that all payroll registers indicate management’s timely review and approval of payroll transactions.
Accounting, Reporting, and Information Technology	Low	Low	No significant changes or concerns noted.

Note – in formulating the level of risk, as displayed on the attached matrix, consideration is given to both inherent risk (categories such as budget size, and financial exposure/potential loss) and control risk (categories such as major changes in operations, programs, systems and personnel). Due to the high level of inherent risk in some control cycles (Cash Disbursements and Payroll), risk may be elevated beyond the control of the District.

RESULTS (Continued):

Each general area of the District and the specific control cycle is listed below with relevant observations and/or comments for each. Our recommendations and suggested enhancements are summarized for your review.

1. Governance / Budgeting:

Comment:

Based on our observations and discussions with management, this area appears to be functioning adequately at this time with no significant concerns noted.

2. Cash Receipts and Revenues:

Comment:

Based on our observations and discussions with management, this area appears to be functioning adequately at this time with no significant concerns noted.

3. Transportation:

Comment:

Based on our observations and discussions with management, this area appears to be functioning adequately at this time with no significant concerns noted.

4. Food Service:

Comment:

The Food Service program has experienced significant financial challenges in the past two years due to the impacts of COVID-19 on its operations. The program incurred a loss from operations (prior to transfers from the General Fund) of \$330,503 in 2019-20 and a loss of \$959,810 in 2020-21. During the 2021-22 school year all meals continue to be free to students throughout the year, providing a higher reimbursement to the District for the meals served. This, combined with the fact that all students are back to attending school five days a week, should help improve the program's ability to stabilize its financial performance. However, one challenge that will likely offset the expected increase in revenue is the significant price increases for food and other supplies. We encourage the District to continue to monitor the program closely in an effort to improve its financial performance in the current year.

RESULTS (Continued):

5. Extra-Classroom Activity Fund:

Comment:

Based on our observations and discussions with management, this area appears to be functioning adequately at this time with no significant concerns noted.

6. Facilities, Equipment, and Inventory:

Comment:

Based on our observations and discussions with management, this area appears to be functioning adequately at this time with no significant concerns noted.

7. Purchasing, Claims, Accounts Payable and Cash Disbursements:

Comment:

Based on our observations and discussions with management, this area appears to be functioning adequately at this time with no significant concerns noted.

8. Payroll and Personnel:

Finding:

- a.) We noted that there is a process in place for District management to review and certify the payroll registers each pay period. However, we noted that the payroll register for one pay period reviewed lacked evidence of management's review and approval.

Recommendation:

- a.) We encourage the District to ensure that evidence of management's timely review and approval of the District's payroll transactions is indicated on each payroll register. This will help ensure that payroll transactions are accurate and that the District is in compliance with guidance issued by the Office of the New York State Comptroller.

RESULTS (Continued):

9. Accounting, Reporting and Information Technology:

Comment:

Based on our observations and discussions with management, this area appears to be functioning adequately at this time with no significant concerns noted.

SUMMARY:

As described and noted above, each area has been assigned a level of risk. The attached Exhibit A represents a summarization of all the categories we considered in formulating our risk assessment.

This document can be used as a tool to assist the Board and/or Audit Committee of the Rush-Henrietta Central School District in selecting specific control cycles in which to examine in further detail, as required by the “Five-Point Plan.”

CLOSING COMMENTS:

We would like to thank the audit committee and central administration staff of the Rush-Henrietta Central School District for their assistance and cooperation in formulating this risk assessment of the District.

Rush-Henrietta Central School District Risk Assessment 2021-22

Appendix A

Note: For each control cycle rate the perceived risk from 0-3. 0= No risk 1=low 2=Medium 3=High

Note: For the total column, risk was calculated: 0-5 = low, 6-10 = Medium, 11+ = High

In formulating the level of risk, consideration is given to both inherent risk (categories such as budget size, and financial exposure/potential loss) and control risk (categories such as major changes in operations, programs, systems and personnel). Due to the high level of inherent risk in some control cycles (Cash Disbursements and Payroll), risk may be elevated beyond the control of the District.

<u>Control Cycle</u>	<u>Date or Results of last Audit/Examination</u>	<u>Management letter Comments</u>	<u>Budget Size</u>	<u>Financial Exposure / Potential loss and Risk</u>	<u>Major Changes in Operations, Programs, Systems and Controls</u>	<u>Personnel Changes</u>	<u>EFPR Evaluation (From Below)</u>	<u>Total Risk Score</u>
Governance and Planning								
1 Budgeting / Governance			0	1	1	0	0	2
Revenue and Cash Management								
2 Cash Receipts & Revenues ♦Cash Management & Investments ♦State Aid ♦Real Property Taxes ♦User Charges	Medicaid 2018 High Cost Aid - 2020		1	3	1	0	0	5
Student Services								
3 Transportation			0	1	1	0	0	2
4 Food Service			0	1	2	0	0	4
5 Extraclassroom Activity Fund	Student Café 2019		1	1	1	0	0	3
6 Facilities, Equipment and Inventory ♦Capital Assets ♦Capital Projects ♦Indebtedness ♦Inventory Controls (School Lunch)			0	2	2	0	0	4
Purchasing and Expenditures								
7 Purchasing, Claims Processing & AP and Cash Disbursements			0	3	3	0	0	6
8 Payroll and Personnel			0	3	3	0	2	8
9 Accounting, Reporting & I.T.			0	2	3	0	0	5

EFPR EVALUATION

Note: EFPR evaluated risk was determined by checklists, inquiry of staff and auditor observations

<u>Control cycle</u>	<u>EFPR Evaluated Risk</u>
Budgeting / Governance	
Procedures are adequate and being followed	0
Proper segregation of duties	0
Adequate staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0

Cash Receipts & Revenues

Procedures are adequate and being followed	0
Proper segregation of duties	0
Adequate staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0

Transportation

Procedures are adequate and being followed	0
Proper segregation of duties	0
Adequate staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0

Food Service

Procedures are adequate and being followed	0
Proper segregation of duties	0
Adequate staffing	0
Concerns from staff	2
Total EFPR evaluated risk	1

District should continue to monitor the program closely in an effort to improve its financial performance this year.

Extraclassroom Activity Fund

Procedures are adequate and being followed	0
Proper segregation of duties	0
Adequate staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0

Facilities, Equipment and Inventory

Procedures are adequate and being followed	0
Proper segregation of duties	0
Adequate staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0

Purchasing, Claims Processing & AP and Cash Disbursements

Procedures are adequate and being followed	0
Proper segregation of duties	0
Adequate staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0

Payroll and Personnel

Procedures are adequate and being followed	1
Proper segregation of duties	0
Adequate staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0

District should ensure that all payroll registers include evidence of management's timely review and approval.

Accounting, Reporting & I.T.

Procedures are adequate and being followed	0
Proper segregation of duties	0
Adequate staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0