



Troy CSD Corrective Action Plan - 23-24 Internal Audit

Section	Finding	Recommendation From Auditor	District Response	Individual Responsible for Correction	Date Completed
Payroll	There is no reconciliation or review process between staff absence and use of paid time off (PTO) or other valid pay codes creating the risk that an employee might not use PTO when it is required, also increasing the risk of clerical errors.	School based substitutes should document who they sub for and be matched with employee's attendance sheet to ensure that employee's use of personal, sick, and conferences days are recorded appropriately.	District is working to have all employees record time off through the ASEOP system	Human Resources	6/30/2024
	There is no review process over the clerical input of PTO into nVision to verify the accuracy of the input.	There should be a review of the clerical input of PTO for accuracy.	District is working to have all employees record time off through the ASEOP system	Human Resources	6/30/2024
	There is no review of the information that is provided to the actuary related to the postemployment benefit calculation prior to it being transmitted to the actuary	Inputs for information provided to the actuary should be reviewed prior to transmission to the actuary to ensure accuracy.	The District will review the current policies.	Human Resources	6/30/2024
Bank Reconciliation Process	There is no documented evidence of the review of the bank reconciliations by the Assistant Superintendent for Business.	The Assistant Superintendent for Business should indicate review of the bank reconciliations by signing and dating the reconciliations. This documentation will provide evidence of the review as well as support for whether the review is timely.	Assistant superintendent for Business signature should be required on bank reconciliations.	Assistant Superintendent for Business	6/30/2024
Cash Receipts	There is no policy regarding when accounts receivable should be written off or what the procedure and approval should be prior to write-off.	The District should consider a policy for writing off uncollectible account receivable balances.	The District will review the current policies.	Policy Committee	6/30/2024
	Checks are not stamped with "For deposit only" upon receipt	Checks should be endorsed as "For deposit only" upon receipt to reduce the risk of them being stolen and endorsed to a third party to be cashed.	The District will adapt this procedure.	Exec. Secretary for Assistant Superintendent for Business	6/30/2024
	There is currently no log kept of amounts that are in accounts receivable that have been entered in a manner other than creating an invoice in WinCap, such as by journal entry.	A log should be maintained of accounts receivable items that are handled separately than through the creation of an invoice. This log should be agreed to the general ledger at least monthly.	The District will adapt this procedure.	Senior Account Clerk	6/30/2024
Cash Disbursements	There is no formal review of the vendor master file.	The vendor master file should be reviewed annually by someone who does not have access to add new vendors in nVision. This review should be documented.	The District will work to clean up the master vendor file	Purchasing agent	6/30/2024
Extra Classroom Activity Fund (ECAF)	The ECAF Treasurer provides financial reports to the clubs monthly, however, there is no acknowledgement from the Club that their balances agree.	Require the clubs to acknowledge receipt and agreement to the monthly financial reports.	Will request responses from advisors to confirm amounts	ECAF Treasurer	6/30/2024

Section	Finding	Recommendation From Auditor	District Response	Individual Responsible for Correction	Date Completed
	Profit and loss statements are not being prepared for all fundraisers. There is no documentation that requests for fundraisers are approved by the Principal.	Profit and loss statements should be required for all fundraising events and provided to the ECAF Treasurer. These statements should be complete and reconcile the actual cash collected to the amount deposited as well as the expenses incurred for each fundraiser. The profit and loss statements should also indicate leftover "inventory" from fundraisers that may be able to be used in future fundraisers.	Will require P&L for each fundraiser	ECAF Treasurer/Club Advisors	6/30/2024
		Prior profit and loss statements should be reviewed in determining whether a fundraiser is viable	Will review P&L upon submission	ECAF Treasurer	6/30/2024
		Fundraiser request forms should be used and signed off by the Principal to evidence approval of each fundraiser.	Will develop and use request form	ECAF Treasurer	6/30/2024
	The District does not have a Faculty Auditor.	NYSED Pamphlet #2 requires the District to establish a Faculty Auditor who is separate from the ECAF process but audits the cash receipts and disbursements to the ECAF treasurer records and Student Activity Treasurer records periodically.	Will bring recommendation to Supt and Board - may not create new position	Assistant Superintendent for Business	6/30/2024
	Some clubs do not maintain club ledgers.	NYSED requires all clubs to maintain a separate club ledger. Procedures should be implemented to ensure all clubs maintain a club ledger.	The District will review all clubs to ensure all clubs are maintaining proper ledgers	ECAF Treasurer	6/30/2024
	The Central Treasurer has custody, deposits, reconciles, records, and has check signing authority.	Claims Auditor should review all ECAF Disbursements.	Will have internal claims auditor review claims or give reconciliation duties to District Treasurer	Assistant Superintendent for Business	6/30/2024
Claims Auditor Function	Board Policy 6650 indicated the Claims Auditor is determining that items for which payment is claimed were in fact received or, in the case of services, that they were actually rendered.	The Board policy should be reflective of actual procedures.	The District will review the current policies.	Policy Committee	6/30/2024
Grant Compliance	There is no documentation to ensure vendors for federal grants are not debarred or otherwise precluded from receiving federal funds.	Implement a procedure to ensure vendors for federal grants are not debarred.	The Grant Coordinator will work to check that all vendors used are not debarred	Grants Coordinator	6/30/2024
Capital Assets	The District does not perform an annual physical inventory of capital assets.	Physical inventory count should be performed periodically.	The District will review the current policy regarding physical inventory	The Audit Committee	6/30/2024
	There is no review of the data entered into Asset Max.	Someone other than Stock Clerk should be reviewing the data entered into AssetMax checking for clerical errors.	Purchasing Agent will work with BOCES to run reports in Asset Max to review data entered.	Purchasing Agent	6/30/2024
	There is no process in place for identifying relocated assets.	Procedures should be implemented and followed to notify the Stock Clerk of any relocation of assets.	The Purchasing Agent will work with the technology department to create a process when assets are relocated	Technology and Purchasing Agent	6/30/2024
Budget Monitoring	No formal review process to ensure all budget transfers greater than \$10,000 received Board approval as required by District policy.	The District should have a formal documented review process to ensure all budget transfers greater than \$10,000 were Board approved.	The Treasurer reports all budget transfers to the Board each month. The transfers over \$10,000 will be highlighted	Treasurer	6/30/2024
	The Due To/Due From accounts of the District are not reconciled monthly.	The District should reconcile the Due To/Due From accounts monthly and these accounts should net to zero.	The Treasurer will work to reconcile Due To/Due From accounts monthly.	Treasurer	6/30/2024
Other	The District does not have a long-term financial plan for both operating expenses and capital items.	NYSED guidance suggests use of a long-term financial plan is a best practice and useful tool for the District and their Board.	The District will work to create a long term financial plan	Assistant Superintendent for Business	6/30/2024

Section	Finding	Recommendation From Auditor	District Response	Individual Responsible for Correction	Date Completed
	Some of the District's policies are not reflective of actual procedures carried out at the District.	Board policies should be reviewed thoroughly and updated to be in agreement with actual procedures at the District.	The District will review the current policies.	The Policy Committee	6/30/2024
	There is no formal policy for Board members to disclose any conflicts of interest on an annual basis.	Board members should be required to disclose any conflicts of interest or lack thereof on an annual basis. The documentation should be retained by the clerk of the Board for future reference.	The District will work to create a written procedure for Board members to disclose any conflicts of interest.	BOE	6/30/2024

**ENLARGED CITY SCHOOL DISTRICT OF TROY
2023/24 RISK ASSESSMENT**



BUSINESS
ADVISORS
AND CPAS

January 9, 2024

Audit Committee
Enlarged City School District of Troy
475 First Street
Troy, NY 12182

We have completed the financial risk assessment of the Enlarged City School District of Troy for the 2023/2024 fiscal year and are enclosing the attached report. The purpose of this engagement was to assist you in implementing the regulations imposed by the 2005 School Financial Oversight and Accountability legislation. Our engagement was designed to assess risk in the District's financial reporting process, identify internal controls that address or mitigate those risks, and report to the Board and management remaining risks and recommended procedural changes.

Our procedures included reviewing responses to internal control questionnaires completed by District staff, interviewing key personnel, and reviewing certain employee's access to general ledger applications. The risk assessment addresses the various components of the financial operations of the District.

We found the overall control environment to be very good. Management and staff within the business office are certainly cognizant of the importance of internal controls, are aware of and respond where possible to potential risks, and perform their jobs with competence and diligence.

The purpose of our engagement was to assist the Board and management in achieving its responsibility to monitor financial reporting risk. It is ultimately the Board's responsibility to determine a response to potential risks. However, our report does include suggestions of ways to respond to potential risks.

Although not addressed in our report, the Board should also consider implementing fraud and abuse awareness and reporting processes for the District. Many studies on fraud show that disclosure by other employees is the most common way that fraud schemes are uncovered.

The attached report is intended solely for the information and use of the Board of Education, Audit Committee, and management of the Enlarged City School District of Troy and should not be used for any other purpose.

We appreciate the opportunity to perform the risk assessment for the District and look forward to continuing to serve the District in the role of internal auditor. We should be viewed as a resource for the Board; please feel free to contact us at any time.

Sincerely,

A handwritten signature in black ink, appearing to be 'H. Lewis', written over a horizontal line.

Heather R. Lewis, CPA
Partner

ENLARGED CITY SCHOOL DISTRICT OF TROY
JULY 1, 2023 – JUNE 30, 2024 RISK ASSESSMENT UPDATE REPORT

Bank Reconciliation Process

The bank reconciliation process ensures items that are receipts and disbursements of the District are recorded in the correct fund, for the correct amounts, and in the correct period. This is one of the most important controls of the District and is relied on heavily to ensure transactions are recorded properly.

Control Weaknesses and Risks

- There is no documented evidence of the review of the bank reconciliations by the Assistant Superintendent for Business.

Recommended Changes to Procedure

- The Assistant Superintendent for Business should indicate review of the bank reconciliations by signing and dating the reconciliations. This documentation will provide evidence of the review as well as support for whether the review is timely.

Payroll

Payroll and related benefits are the most significant expenditure of the District. There are several different employee groups who are paid in different ways, and a number of State and federal laws as well as union specific requirements to be followed. These factors together make the payroll transaction cycle a high-risk area.

Control Weaknesses and Risks

- There is no reconciliation or review process between staff absence and use of paid time off (PTO) or other valid pay codes creating the risk that an employee might not use PTO when it is required, also increasing the risk of clerical errors.
- There is no formal documented review process over the clerical input of PTO into WinCap to verify the accuracy of the input.
- There is no review of the information that is provided to the actuary related to the postemployment benefit calculation prior to it being transmitted to the actuary.

Compensating Control

- Superintendent certifies payroll.
- A report is prepared every two weeks (payroll cycle) directly from WinCap which shows all changes made during the two-week period. This report is signed off by the Assistant Superintendent for Business indicating their review, however the changes are not agreed or verified against supporting documentation by the reviewer.
- Employees use Frontline to report an absence. The activity is directly imported from PTO system into WinCap.

Recommended Changes to Procedure

- School based substitutes should document who they sub for and be matched with employee's attendance sheet to ensure that employee's use of personal, sick, and conferences days are recorded appropriately.
- There should be a review of the clerical input of PTO for accuracy for all employees who are directly imported into WinCap.
- Changes included on the payroll change report should be spot checked to supporting documentation for a sample of changes each pay cycle. The sample selected should be identified by the reviewer.
- Inputs for information provided to the actuary should be reviewed prior to transmission to the actuary to ensure accuracy.

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Recommended Internal Audit Responses

- Compare a sample of staff absences and verify if PTO was properly charged. Additionally, verify the clerical input of PTO was consistent with support.
- Compare a sample of payroll changes back to supporting documentation.

Cash Receipts and Accounts Receivable

While some of the revenue earned by the District is deposited electronically (State aid and grant revenue), receipt of checks and especially cash are inherently high-risk transactions as it can be difficult to establish the “completeness” of receipts; in other words, that all the receipts that should be recorded are recorded.

Control Weaknesses and Risks

- There is no policy regarding when accounts receivable should be written off or what the procedure and approval should be prior to write-off.
- Checks are not stamped with “For deposit only” upon receipt.
- There is currently no log kept of amounts that are in accounts receivable that have been entered in a manner other than creating an invoice in WinCap, such as by journal entry.

Recommended Change to Procedures

- The District should consider a policy for writing off uncollectible account receivable balances.
- Checks should be endorsed as “For deposit only” upon receipt to reduce the risk of them being stolen and endorsed to a third party to be cashed.
- A log should be maintained of accounts receivable items that are handled separately than through the creation of an invoice. This log should be agreed to the general ledger at least monthly.

Cash Disbursements

Disbursements are a significant part of the operation of a school district and require a significant amount of the District’s resources.

Control Weaknesses and Risks

- There is no formal review of the vendor master file.
- Zip drive signatures are accessible to employees who have the ability to print checks.

Compensating Control

- Claims auditor reviews and approves all disbursements included in each warrant.
- All purchases require a purchase order and if one was not made at the time due to an emergency, a purchase order is created at a later date and matched up against the original purchase.
- The Claims Auditor submits a report to the board that details the disbursements reviewed monthly.

Recommended Changes to Procedure

- The vendor master file should be reviewed annually by someone who does not have access to add new vendors in WinCap. This review should be documented.
- Zip drive signatures should only be accessible to the person authorized by the Board to sign checks.

Recommended Internal Audit Responses

- Review a sample of disbursements to ensure the canceled check has not been altered and agrees to original warrant approved by the Claims Auditor.

ENLARGED CITY SCHOOL DISTRICT OF TROY
JULY 1, 2023 – JUNE 30, 2024 RISK ASSESSMENT UPDATE REPORT

Extraclassroom Activity Funds (ECAF)

These funds are to be maintained by students with the oversight of an advisor. The students collect money for certain purposes and then request the money they collect to be spent. Due to the nature of these funds, there is a high inherent risk of loss, misappropriation, or improper use of the funds. There are also specific New York State Education Department (NYSED) guideline which must be followed for these funds.

Control Weaknesses and Risks

- The ECAF Treasurer provides financial reports to the clubs monthly, however, there is no acknowledgement from the Club that their balances agree.
- Profit and loss statements are not being prepared for all fundraisers. There is no documentation that requests for fundraisers are approved by the Principal.
- The District does not have a Faculty Auditor.
- Budgetary estimates of necessary receipts and disbursements of each club should be filed with the Faculty Advisor.
- The Claims Auditor does not review any ECAF Disbursements.
- The ECAF Treasurer has custody, deposits, reconciles, records, and has check signing authority.

Compensating Internal Controls

- ECAF Treasurer and High school Principal signatures are needed on all checks.

Recommended Change to Procedures

- Require the clubs to acknowledge receipt and agreement to the monthly financial reports.
- Profit and loss statements should be required for all fundraising events and provided to the ECAF Treasurer. These statements should be complete and reconcile the actual cash collected to the amount deposited as well as the expenses incurred for each fundraiser. The profit and loss statements should also indicate leftover "inventory" from fundraisers that may be able to be used in future fundraisers.
- Prior profit and loss statements should be reviewed in determining whether a fundraiser is viable.
- Fundraiser request forms should be used and signed off by the Principal to evidence approval of each fundraiser.
- NYSED guidelines requires the District to establish a Faculty Auditor who is separate from the ECAF process but audits the cash receipts and disbursements to the ECAF treasurer records and Student Activity Treasurer records periodically.
- Claims Auditor should review all ECAF Disbursements.
- Per the NYSED guidance, each club should annually budget receipts and disbursements and a copy filed with each the Faculty Auditor, ECAF Treasurer, Faculty Advisor, and Student Activity Treasurer.

Recommended Internal Audit Response

- Test a sample of cash receipts and cash disbursements to supporting documentation.

Claims Auditor Function

The Claims Auditor position is a very effective position for the District and can alleviate segregation of duties issues as well as provide an additional level of comfort to Board members when used to its fullest extent.

Control Weaknesses and Risks

- Board Policy 6650 indicated the Claims Auditor is determining that items for which payment is claimed were in fact received or, in the case of services, that they were actually rendered.

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Recommended Change to Procedure

- The Board policy should be reflective of actual procedures.

Grant Compliance

Federal grant compliance requirements are significant and are routinely monitored by granting agencies.

Control Weaknesses and Risks

- There is no documentation maintained to support vendors paid under federal grants are not debarred or otherwise precluded from receiving federal funds.

Recommended Changes to Procedure

- Implement a documented procedure to ensure vendors for federal grants are not debarred.

Capital Assets

Control Weaknesses and Risks

- The District does not perform an annual physical inventory of capital assets.
- There is no review of the data entered into Asset Max.
- There is no process in place for identifying relocated assets.

Compensating Internal Controls

- The Business Official reviews now to ensure all assets are insured and/or properly checked against AssetMax but does not document this review.

Recommended Change to Procedure

- Physical inventory count should be performed periodically.
- Someone other than Stock Clerk should be documenting their review of the data entered into AssetMax checking for clerical errors, ensuring all assets are insured and nothing is over insured.
- Procedures should be implemented and followed to notify the Stock Clerk of any relocation of assets.

Budget Monitoring

Budgeting is a key aspect of the financial reporting process and requires compliance with various laws and regulations.

Control Weaknesses and Risks

- No formal review process to ensure all budget transfers greater than \$10,000 received Board approval as required by District policy.
- The Due To/Due From accounts of the District are not reconciled monthly.

Compensating Internal Controls

- The Business Office is cognizant of the requirements.

Recommended Change to Procedure

- The District should have a formal documented review process to ensure all budget transfers greater than \$10,000 were Board approved.
- The District should reconcile the Due To/Due From accounts monthly and these accounts should net to zero.

ENLARGED CITY SCHOOL DISTRICT OF TROY
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Recommended Internal Audit Response

- Sample budget transfers greater than \$10,000 and trace to Board approval ensuring approvals are timely.

Other

Control Weaknesses and Risks

- The District does not have a long-term financial plan for both operating expenses and capital items.
- Some of the District's policies are not reflective of actual procedures carried out at the District.
- There is no formal policy for Board members to disclose any conflicts of interest on an annual basis.

Compensating Internal Controls

- The District does have an annual budget that is monitored regularly and informal discussions regarding future plans do occur.
- Every Board member is provided with a copy of the Code of Ethics Regulation as part of policy #2160-R.

Recommended Change to Procedures

- NYSED guidance suggests use of a long-term financial plan is a best practice and useful tool for the District and their Board.
- Board policies should be reviewed thoroughly and updated to agree with actual procedures at the District.
- Board members should be required to disclose any conflicts of interest or lack thereof on an annual basis. This is now required as part of the Uniform Guidance. The documentation should be retained by the clerk of the Board for future reference.

Information Technology

We recommend a full vulnerability assessment and evaluation be done to determine what areas of concern have been addressed and if there are any new concerns. We recommend evaluating this area again. See the attached recommendations and best practices gathered from a questionnaire completed by the Director of Technology.

Additional areas that were reviewed and controls appeared to be appropriately designed and functioning to not result in identification of additional risks:

- Medicaid Billing
- Facility Use
- Board Member Training
- Credit Card Use
- Cafeteria

Due to the volume of transactions, we reviewed a sample of transactions in the following areas to ensure controls were operating during the year:

- Cash disbursements – no findings noted in sample tested
- Payroll – no findings noted in sample tested
- Cash receipts – no findings noted in sample tested
- Journal entries – the Assistant Superintendent for Business was unable to locate documentation to support journal entries selected. Documentation for each journal entry should be reviewed, approved, and maintained.
- Extraclassroom activity funds disbursements and receipts – no findings noted in sample tested

**Enlarged City School District of Troy
Items Removed From the Risk Assessment Report**

**Enlarged City School District of Troy
Items Removed From the Risk Assessment Report**

Cash Disbursements

Control Weaknesses and Risks

- No formal look-back procedure is in place to ensure the District follows their procurement policy. The lookback is when the District accumulates purchases by vendor to determine if they in total exceeded procurement thresholds that may not have been identified as the individual purchases made were below the thresholds.

The District implemented procedures during the year that addressed this risk. The Purchasing Manager reviews every requisition individually and runs vendor payment summary reports to determine if in the aggregate the purchases are over the threshold.

Cash Receipts

Control Weaknesses and Risks

- There is no reconciliation of deposits into the bank back to the check log that records checks received by the District.

The District implemented procedures during the year that addressed this risk. The Executive Secretary to Assistant Superintendent for Business is now reconciling the check log to deposits and the accounting software.

Claims Auditor Function

Control Weaknesses and Risks

- There is no standard checklist for all procedures the Claims Auditors performs.

The District implemented procedures during the year that addressed this risk. They now have a standard checklist for all Claims Auditor procedures.

Extraclassroom Activity Funds (ECAF)

Control Weaknesses and Risks

- Some clubs do not maintain club ledgers.

The District implemented procedures during the year that addressed this risk.

Capital Assets

Control Weaknesses and Risks

- There is no formal process for identifying assets that are purchased under federal grants.

The District implemented procedures during the year that addressed this risk. Fixed Assets purchased under grants are coded to (F) fund and the PO for purchase.

**Enlarged City School District of Troy
Items Removed From the Risk Assessment Report**

Payroll

Control Weaknesses and Risks

- Currently there is no annual payout completed where employees are required to sign a roster and present valid identification to receive their paychecks.
- Board Policy #6800 indicates a test to verify the accuracy and appropriateness of District payroll is performed periodically. This policy is not being followed.

The District implemented procedures during the year that addressed these risks. There was a physical check distribution in September that will occur every fall where employees were required to show identification and sign for their check.

Capital Assets

Control Weaknesses and Risks

- There is no documentation to ensure all assets are insured and/or properly checked against AssetMax to ensure over insuring is not occurring.

The District implemented procedures during the year that addressed these risks. The Assistant Superintendent for Business is performing this review.