

BUFFALO CITY SCHOOL DISTRICT

*Risk Assessment – Athletics Cycle
For the Year Ended June 30, 2020
with Updates and Responses for
the Year Ending June 30, 2021*

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Certified Public Accountants

To the Audit Advisory Committee of the Board of Education
of the Buffalo City School District
Buffalo, New York:

We are pleased to report on the updated risk assessment for the Athletics Cycle of the Buffalo City School District (the “District”). The purpose of our engagement is to continue to assist you in the development of a risk assessment of District operations, and provide recommendations to strengthen controls and reduce the identified risks. This report was developed from inquiries, observations, and tests of internal controls performed during the 2019-2020 fiscal year with updates and responses for the year ending June 30, 2021.

The District’s risks are the risks that an action or event will adversely affect the District’s ability to successfully achieve its objectives. The Risk Assessment – Athletics Cycle section of the report analyzes the significant risks and findings that were identified during our engagement.

For purposes of this report, internal control is a process, affected by the Board of Education (the “Board”), department heads and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting and safeguarding of assets. We have evaluated the District’s current internal controls and have provided our risk assessment and a set of recommendations for strengthening controls and reducing identified risks.

As noted, the purpose of our engagement was to assist you in improving the internal controls and reducing the risks that face your District. However, it is ultimately your responsibility to assess the adequacy of your risk management system. In performing our engagement, we relied on the accuracy and reliability of information provided by District personnel. We have not audited, examined, or reviewed the information, and express no assurance thereon.

The accompanying findings and recommendations are intended solely for the information and use of the Audit Advisory Committee, the Board of Education, department heads, and others within the District, and should not be used for any other purpose.

We appreciate the opportunity to serve you and thank the individuals in your District for their cooperation. We have already discussed many of these comments and suggestions with various District personnel and we will be pleased to discuss them in further detail at your convenience. Through our ongoing involvement with you as a client and our knowledge of your processes, we would be pleased to perform any additional studies of these matters, or to assist you in implementing the recommendations.

Drescher & Malecki LLP

July 6, 2021

Risk Assessment – Athletics Cycle

BUFFALO CITY SCHOOL DISTRICT
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Overview and Scope

The District's risks are the risks that an action or event will adversely affect the District's ability to successfully achieve its objectives. During our engagement, we became aware of various sources of risk that impact the District. We evaluated these risks by using two distinct assessments of impact and likelihood. A simple rating scale has been developed for this purpose. The rating scale ranges from minor to significant impact, and low to high likelihood, using a 3-point scale.

Impact refers to the extent of the consequences or implications if the risk does occur. To assess impact, we have determined how much of an impact the risk has if it does occur:

- A minor impact suggests that the risk would not have important implications on the District.
- A moderate impact suggests that the risk could have implications on the District.
- A significant impact suggests that the risk would have important implications on the District.

Likelihood refers to the probability that the risk may occur given the current context of the District. To assess likelihood, we have determined how likely it is that the risk will occur in the future, given what is currently done to manage said risk:

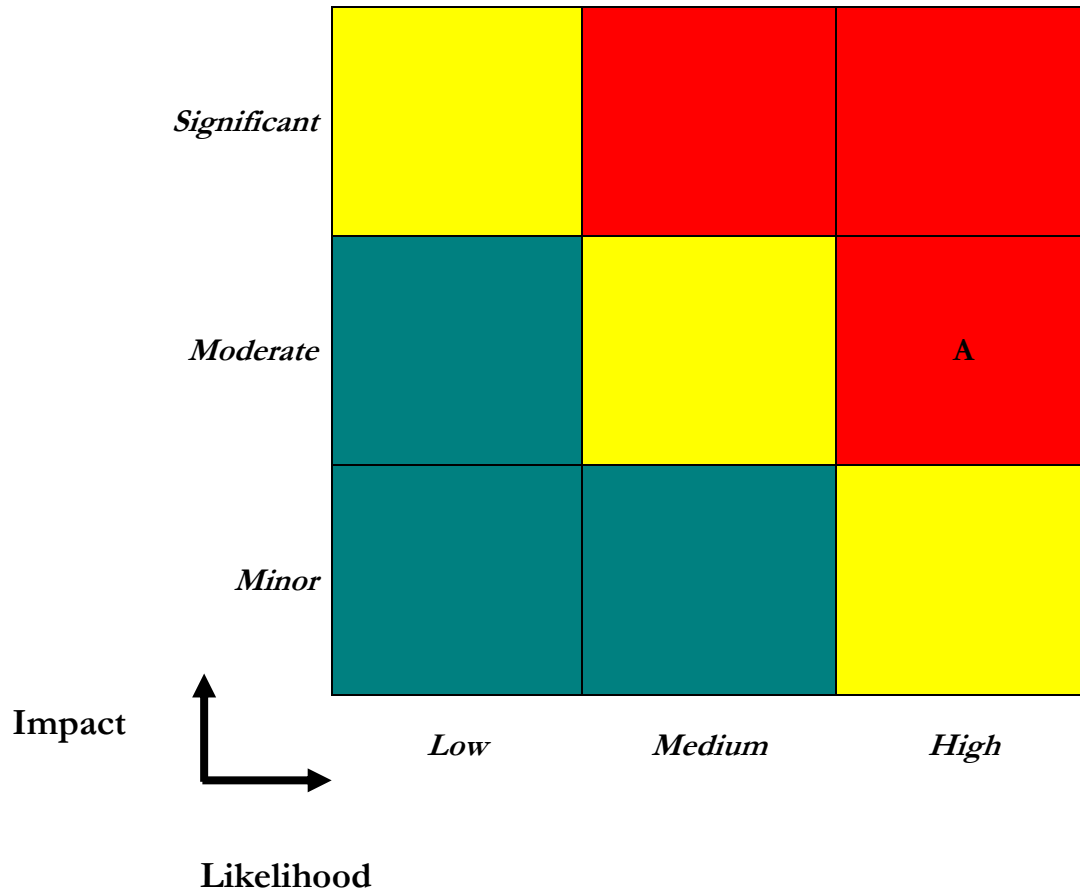
- A low likelihood suggests that the risk is unlikely to occur, given its nature and current risk management practices in place.
- A medium likelihood suggests that the risk has a moderate probability of occurrence.
- A high likelihood suggests that the risk is likely to occur, despite the current risk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

We have developed the risk assessment around significant financial transaction cycles as a means by which the associated risks can be easily understood and managed. The Summary of Internal Control Recommendations - Athletics Cycle section of this report presents recommendations with more detailed information regarding criticality and implementation timeliness. This report includes risk assessment procedures performed on the Athletics Cycle.

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Risk Management Tolerance Model



Key

- High Risk
- Medium Risk
- Low Risk

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Risk Assessment Matrix

<u>Cycle</u>	<u>Risk Assessment Based on Procedures Performed</u>	<u>Impact</u>	<u>Likelihood</u>
A	<p>We noted high overall risk in the Athletics Cycle.</p> <p>Risks occur due to the following:</p> <ul style="list-style-type: none">▪ Lack of responsibility for tracking equipment▪ Vacant positions▪ Lack of inventory counts▪ Cash handling procedures▪ Procurement procedures	Moderate	High

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**Summary of Internal Control Recommendations –
Athletics Cycle**

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Risk Assessment – Athletics Cycle
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Overview

Internal control recommendations represent those areas that afford department heads of the District the opportunity to improve financial reporting and internal controls, to better safeguard District assets, and/or to more efficiently or accurately record, summarize, and report financial transactions and information. They also represent those areas that may improve efficiency of operations and accounting functions, potentially resulting in costs savings.

We have provided a criticality rating and an implementation timeline for each internal control recommendation and business opportunity. Criticality ratings considered were urgent, important, and routine. The implementation timelines considered were short-term and long-term, reflecting the effort and time required to implement the applicable recommendation, while factoring in the criticality assigned thereto.

As a result of our procedures performed for the Athletics Cycle, there were 5 recommendations. The criticality and timeline for the recommendations are as follows:

Internal Control Area	Number of Recommendations	Criticality			Timeline	
		Urgent	Important	Routine	Short-Term	Long-Term
Athletics	5	2	3	-	4	1

Criticality – Each of the detail findings include a severity reference of either “urgent”, “important” or “routine”. Urgent refers to findings that we believe are of the highest severity. Important refers to findings that we believe are medium severity. Routine refers to findings that we believe are low severity.

Timeline – Each of the detail findings include a timeline reference of either “short-term” or “long-term.” Short-term refers to findings that we believe can be corrected within one year. Long-term refers to findings that may require changes to organization, systems, or procedures that may require over one year to effectuate the change.

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**Detail Findings and Recommendations –
Athletics Cycle**

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Athletics Cycle (A)

Recommendation #A20-1

Criticality: Important

Timeline: Short-Term

It was noted that individual teams are purchasing and/or replacing uniforms outside of the Athletic Uniform Replacement Schedule, as outlined by the Athletics Department (the “Department”). Per discussion with Department management, uniforms are often replaced because students do not return their uniforms at the end of each season. Currently, there are no formal actions to recover costs if uniforms are not returned.

We recommend that the District establish an acceptable use and return policy that must be signed by the student athlete, parent and associated head coach. The policy would enforce accountability for equipment and ensure that the District could recover the costs of any unreturned or damaged equipment.

Management response: Once District Management became aware of coaches making replacement uniform orders, we limited these specific orders for the 2019-20 school year and have communicated to coaches and AdPro Sports that we’re eliminating future replacement uniform orders. Moving forward, our plan will be to order 3-6 additional uniforms (depending on sport and quantity) with the initial uniform order so coaches may rotate those uniforms in over the 3-6 year life of the Varsity/JV uniforms. This will eliminate the high cost of small uniform replacement orders. Michael House also notified AdPro Sports that all uniform orders ultimately must be approved by the Athletic Director moving forward.

Coaches Accountability: Each head coach will be responsible to conduct a uniform inventory and document the inventory totals on an end of season report and submit the report to the athletic office. A coach’s handbook will reinforce the end of season standard operating procedures for each athletic program.

Student-Athlete/Parent Accountability: If a student does not return a uniform, the District will encourage the head coach to notify the student-athlete and parent that a hold may be placed on the student-athletes transcript and the student may jeopardize participating in their graduation ceremony. A student-athlete and parent handbook will reinforce and allow the parent and student-athlete to sign off on the uniform procedures and potential outcomes.

Responsible person(s): Athletic Director (Michael House), Athletic Coordinator (TOSA) & All Head Coaches

Timeframe: September 2021 and beyond

Recommendation #A20-2

Criticality: Urgent

Timeline: Short-Term

The Department’s clerk position has experienced turnover of staff. Several duties are currently being performed by the Athletic Director, resulting in a lack of segregation of duties within the Department and risks related to the lack of review over cash and maintenance of inventory.

We recommend that the District evaluate the management oversight of the Athletics Department and determine if additional positions are necessary to ensure that the Department is operating efficiently, effectively and accomplishing the Department's overall goals. This could include positions such as the Athletics Director, Supervisor, Clerk, and Teacher on Special Assignment.

Management response: Since Cecelie Owens (Assistant Superintendent of HE/PE & Athletics) and Michael House (Athletic Director) started working in the athletic office (1/2/2020), we have hired Associate Account Clerk and will be interviewing various potential candidates on Friday 11/13/2020 for the Coordinator of Athletics (TOSA) position. The Associate Account Clerk has been a great addition. We have trained her on specific athletic department job duties and responsibilities.

Management Recommendation: Increase athletic budget to include the creation and funding for two new positions: Supervisor of Athletics and Athletic Department Typist. The Supervisor of Athletics would assist with day-to-day operations, scheduling, record keeping, coach's evaluations (325 coaches) and supervision and administration of athletic contests. The Athletic Department Typist would assist with game day preparations with game tickets, ticket accounting forms, deposit bags, typing documents and reports, record keeping, signage and customer service. As a contingency, the Athletic Department has developed an updated job matrix which delegates the responsibilities of the Supervisor of Athletics and Athletic Department Typist to current staff as they await budget approval for the two new positions.

Responsible person(s): Cecelie Owens (Assistant Superintendent of HE/PE & Athletics) and Michael House (Athletic Director)

Timeframe: June 2021 and beyond

Recommendation #A20-3

Criticality: Important

Timeline: Long-Term

The Athletics Department does not have a formal policy or process to perform periodic inventory counts. In addition, we were unable to obtain documented records of inventory counts performed.

We recommend that the District implement a formal process for a comprehensive annual inventory of all equipment that the Athletics Department is responsible for. This count would help to determine what equipment the Department has on hand and the condition of such equipment.

Management response: Since Cecelie Owens (Assistant Superintendent of HE/PE & Athletics) and Michael House (Athletic Director) started working in the athletic office (1/2/2020), we have collaborated with our league chairs who have gained input from head coaches on equipment purchases. Michael House established a spreadsheet which outlines each school's ordering specifics (i.e. product brand, sku #, colors, quantities, estimated costs) to record annual purchases and provide to the purchasing department for bids. When equipment arrives at the Service Center the Athletic Director, Supervisor of Athletics, and Athletic Coordinator (TOSA) will inventory and label items for the delivery to each school. Packages will be delivered to the athletic liaison or head coach. Head coaches will maintain accurate inventory records that may be submitted on their end of season report. The Athletic Department would like to make one annual equipment purchase for all three sport seasons in June of each year.

Coaches Accountability: Each head coach will be responsible for conducting an equipment inventory and document the inventory totals on an end of season report and submit the report to the athletic office. If the Board approves the MOU for coaching hiring practices, stipends and evaluations, a required equipment inventory will be added to the new end of season report and included as part of the coach's evaluation. A coach's handbook will reinforce the end of season standard operating procedures for each athletic program.

Responsible person(s): Athletic Director (Michael House), Supervisor of Athletics, Athletic Coordinator (TOSA), High School Athletic Liaisons & All Head Coaches

Timeframe: September 2021 and beyond

Recommendation #A20-4

Criticality: Important

Timeline: Short-Term

Based on our discussions with department management and onsite observations, a lack of standard procedures was noted regarding ticket sales at football games.

We recommend that the District ensure all personnel are properly trained to perform all safeguarding procedures.

Management response: Management agrees the District needs a checks and balance system and set procedures for all stakeholders involved with game ticket preparations, accounting practices, sales, deposits and record keeping.

Responsible person(s): Cecelie Owens (Assistant Superintendent of HE/PE & Athletics) and Michael House (Athletic Director)

Timeframe: September 2021 and beyond

Recommendation #A20-5

Criticality: Urgent

Timeline: Short-Term

The Athletics Department makes purchases for sporting equipment using both blanket and non-blanket purchase orders. Non-blanket purchase orders require various levels of approval; however, blanket purchase orders include only one level of approval. Additionally, we noted that the Department does not have formal policies and procedures describing the overall process to establish and operate blanket purchase orders, including the specified levels of approval.

We recommend that the Department develop policies and procedures outlining the process for both blanket and non-blanket purchase orders. We also recommend that the Department determine if one level of approval is sufficient to ensure only authorized purchases are made within the Athletics Department.

Management response: The Athletic Department would like to organize all purchases by school with monthly PO's and reporting. We would like to make one annual equipment purchase in June each year for all three sport seasons (Fall, Winter and Spring). We would like to use blanket purchase orders for our uniform and our annual June equipment order. For all other orders, we would like to use non-blanket purchase orders. Here's the breakdown of procedures:

Blanket Purchase Order Procedures:

- Athletics Clerk enters a requisition in Munis
- An invoice is received by the Athletics Clerk from the vendor
- Athletics Clerk keeps record of how much each school owes in invoices for the month on a detailed spreadsheet (ex: school, item, dollar amount)
- Athletics Clerk sends a breakdown of how much should be deducted from the PO for that month to the audit department. Along with copies of invoices, packing slips, etc. if needed.
- Audit then sends the check to the vendor.
- Athletics Clerk will keep a running tab of the monthly deductions from PO.
- Cecelie Owens (Assistant Superintendent of HE/PE & Athletics) and Michael House (Athletic Director) approve and meet monthly to collaborate and monitor.
- Department now has separate accounts for each school. Each school has separate lines for each school. Usually one purchase order has 10 lines by individual school.

Non-Blanket Purchase Order Procedures:

- Athletics Clerk enters a requisition in Munis
- An invoice is received from vendor via share point
- Athletics Clerk receives in Munis
- Once received in Munis, audit sends a check to the vendor
- Cecelie Owens (Assistant Superintendent of HE/PE & Athletics) and Michael House (Athletic Director) approve and meet monthly to collaborate and monitor.

Responsible person(s): Cecelie Owens (Assistant Superintendent of HE/PE & Athletics) and Michael House (Athletic Director)

Timeframe: Completed.