

BUFFALO CITY SCHOOL DISTRICT

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

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Updates and Responses for the Year
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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 District Policies and Procedures 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 – District Policies and Procedures 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 –
District Policies and Procedures Cycle**

BUFFALO CITY SCHOOL DISTRICT
Risk Assessment – District Policies and Procedures Cycle
For the Year Ended June 30, 2020
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the Year Ending June 30, 2021

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.

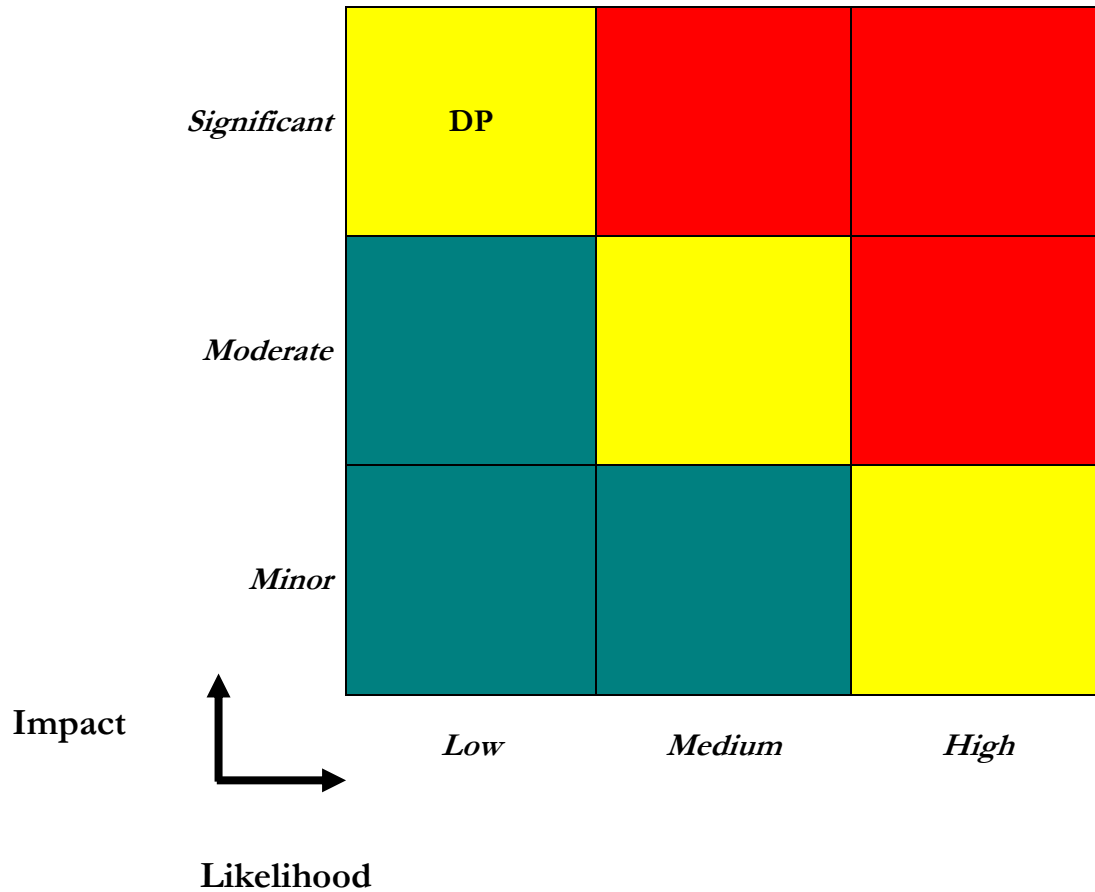
Likelihood refers to the probability that the risk may occur given the current context of the District. To assess likelihood, we have determined how likely it is that the risk will occur in the future, given what is currently done to manage said risk:

- 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.

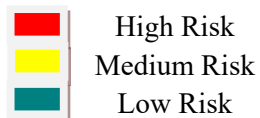
We have developed the risk assessment around significant financial transaction cycles as a means by which the associated risks can be easily understood and managed. The Summary of Internal Control Recommendations – District Policies and Procedures Cycle section of this report presents recommendations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

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Risk Management Tolerance Model



Key



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Risk Assessment Matrix

<u>Cycle</u>	<u>Risk Assessment Based on Procedures Performed</u>	<u>Impact</u>	<u>Likelihood</u>
DP	We noted medium overall risk in the District Policies and Procedures Cycle. Risks occur due to the following: <ul style="list-style-type: none">▪ Lack of District regulation topics within Board level policies▪ Lack of documented policies and procedures at the departmental level▪ Lack of succession plans within departments	Significant	Low

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**Summary of Internal Control Recommendations –
District Policies and Procedures Cycle**

BUFFALO CITY SCHOOL DISTRICT
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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 District Policies and Procedures Cycle, there were 8 total 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
District Policies and Procedures	8	3	1	4	7	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 –
District Policies and Procedures Cycle**

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District Policies and Procedures Cycle (DP)

Recommendation #DP20-1

Criticality: Routine

Timeline: Short-Term

Per the New York State Local Government Management Guide—The Practice of Internal Controls, a capital asset policy should include the following:

- Identification of the major groups of equipment and the persons or positions responsible for physically safeguarding such assets;
- Statement that physical control over assets and maintenance of inventory records be divided among different departments when possible; and
- Statement including the requirements regarding periodic physical inventories.

We recommend that the District revisit and consider updates to their capital asset policy to include the suggested content items as outlined above.

Management response: The District will update Policy 6520, Fixed Asset Inventories, Accounting and Tracking to be in compliance with the New York State Local Government Management Guide. The updated Policy will be brought to the Board for approval.

Responsible person: Julie Carbone, Financial Controller

Timeframe: December 2021

Recommendation #DP20-2

Criticality: Routine

Timeline: Short-Term

We noted that the District Policy 5410, Purchasing, did not include all items as outlined within the New York State Department of Education School Business Management Evaluation Checklist. This best practices checklist suggests the following to be included in a District's Purchasing/Procurement policy, which are currently absent from the District's policy:

- The annual designation of the purchasing agent at the organizational meeting;
- Purchase of materials through State Contracts whenever such purchases are in the best interest of the school district;
- Maintenance of a specification file and lists of responsible bidders and suppliers;
- Handling of approved requisitions;
- Preparation and handling of purchase orders; and
- Establishment of open purchase orders with local vendors for items of immediate need.

We recommend that the District update their Purchasing/Procurement policy to include the checklist items as outlined on the previous page.

Management response: The District notes that Policy 5410 already designates the Director of Purchase as the Purchasing Agent. Additionally, the District has already established open purchase orders with local vendors for items of immediate need via blanket purchase orders. The District will update Policy 5410 to include: 1) language that suggests materials be purchased through state contracts whenever such purchases are in the best interest of the school district, 2) note maintenance of a specification file and lists of responsible bidders and suppliers, 3) update guidance on handling of approved requisitions, and 4) preparation and handling of purchase orders. Policy 5410 is not re-sated each year but the document itself is reviewed annually. The District began the process of reviewing each policy document at the beginning of 2021. The most recent updated policy manual was approved by the Board of Education in February 2021. As such, all updates will be made to policy 5410 by January 2022.

Responsible person: Rik Fanton, Director of Purchase

Timeframe: January 2022

Recommendation #DP20-3

Criticality: Routine

Timeline: Short-Term

Per the New York State Local Government Management Guide—Travel and Conference Expense Management, a travel and conference reimbursement policy should address guidelines for when day trips versus overnight trips are appropriate, such as the minimum distance employees must travel away from home in order to be eligible for overnight expenses. We noted that the District’s current travel and conference reimbursement policy does not include a section to provide this guidance.

We recommend that the District consider adding a section in their travel and conference reimbursement policy that outlines the above criteria to promote effective control over travel and conference expenses.

Management response: The District will add language to the policy and regulations to provide guidance related to travel and conference expense reimbursement including situations when day trips versus overnight trips are appropriate, such as the minimum distance employees must travel away from home in order to be eligible for overnight expenses.

Responsible person: Rik Fanton, Director of Purchase

Timeframe: January 2022

Recommendation #DP20-4

Criticality: Urgent

Timeline: Long-Term

In many cases, governmental entities rely on the institutional knowledge of longer-tenured employees. A formalized succession plan enables periodic identification of the risks from turnover within key management positions or departments and timely evaluation of the potential impacts. Once the impact is determined, a proactive succession plan calls for the creation of contingency plans with the objective of reducing cost inefficiencies and negative effects of transitioning. When transitioning a key position, there may be confusion about who is accountable for particular tasks. This creates the potential for certain areas or functions being overlooked, duplicated tasks, or inefficient procedures. Additionally, a succession plan can be used to aid in the review of a department's structure to determine if a District department is adequately staffed and to ensure all employees are being fully utilized.

Per the Government Finance Officers' Association ("GFOA"), the departments responsible for budget and human resources should work together with the affected positions to develop the succession plan. Further, department heads should continually inform the appropriate members of management if an employee intends to leave. Finally, when early retirement incentive programs are offered to current employees, this turnover should be evaluated in conjunction with the succession plan.

We recommend that the District formalize and build on this process to periodically evaluate current job functions and continue to take a proactive approach at succession risks. As risks are identified, the District should develop appropriate contingency plans for future turnover within identified key management positions.

Management response: The District agrees with the findings above. The Human Resources Department has developed a succession plan that includes the use of a project management tool to map out all department tasks over an entire year. Project management tools allow for collaboration among the staff and support the acclimation of new staff. Each department has developed project management systems. HR will work with the departments to ensure there is standardization. The Budget Department has been working on succession planning the past year. The Budget department is in the process of constructing detailed procedure manuals for our three areas of responsibility; Budget, Revenues and Charter Schools. The manuals are being developed in conjunction with our cross training program. The cross training program consists of having at least two staff members being fully trained on all aspects/tasks within each area of responsibility within Budget, Revenues and Charter Schools. We expect the cross training program and a full set of detailed procedure manuals will be completed by December 31, 2021.

Responsible person: Jamie Warren, Associate Superintendent of Human Resources and Jim Barnes, Deputy CFO

Timeframe: 2021 - 2022

Recommendation #DP20-5

Criticality: Important

Timeline: Short-Term

We noted that many departments of the District do not have documented internal policies and procedures in place. Departmental level policies and procedures offer many benefits to the District including, but not limited to, providing direction to management and employees, allowing for easier onboarding of new employees, ensuring compliance with new standards and regulations, and improving the quality of department operations.

We recommend that each department establish and implement internal procedures to aid in the success of accomplishing the overall goals and objectives of the District.

Management response: The District agrees with the findings above. Human Resources notes that while some departments have produced internal policy and procedures documents, this practice has not been standardized across the entire District. The Human Resources Department will work with the department heads to develop internal policies and procedures documents that provide guidance and direction to current employees and assist in the onboarding of new employees. This will also help promote improved operations and compliance with standards and regulations across the District.

Responsible person: Jamie Warren, Associate Superintendent of Human Resources

Timeframe: 2021 – 2022

Recommendation #DP20-6

Criticality: Urgent

Timeline: Short-Term

Per review of the District policies and procedures, we noted that the District Regulations Manual was last updated in 2005. The District Regulations Manual includes regulations and/or procedures that are created by the Administrators of the District. The District Policy Manual often includes reference to the Regulations Manual, which offers more in-depth procedures.

We recommend that the District review and update, if necessary, the District Regulations Manual to ensure that the most up-to-date procedures are performed by the different departments of the District.

Management response: The District has begun a process of reviewing each regulation. Since the updated policy manual has been adopted/approved by the Board of Education in June 2019, the regulations manual was in the process of being updated during the 2019-2020 school year. Unfortunately, with the COVID Pandemic, the project was halted and will begin again during the Spring of 2021.

Responsible person: TBD Chief of Staff

Timeframe: Fall 2021

Recommendation #DP20-7

Criticality: Urgent

Timeline: Short-Term

We noted that District Policy 5530, Petty Cash Funds and Cash in School Buildings, did not include all items as outlined within the New York State Department of Education School Business Management Evaluation Checklist. This best practices checklist suggests the following to be included in a District's Petty Cash policy, which are currently absent from the District's policy:

- Designate the person(s) responsible for the funds;
- Prescribe the method of recordkeeping; and
- Provide for the kinds of payment which may be made from such funds.

We recommend that the District consider updates to their Petty Cash Funds and Cash in School Buildings policy to include the checklist items as outlined above.

Management response: The District will update Policy 5530 and Regulation 5530R.1 Rules and Regulation for the operation of Principal's and Teachers' supply fund to include the recommended guidance and current procedures. The District is also looking into processing petty cash transactions through the ERP system.

Responsible person: Julie Carbone, Financial Controller

Timeframe: December 2021

Recommendation #DP20-8

Criticality: Routine

Timeline: Short-Term

We noted that the organizational chart on the District website does not accurately reflect the District's current organizational structure.

We recommend that the District update the organizational chart to reflect current positions, as well as keep an updated copy on the District website.

Management response: The District disagrees with the audit findings. The current chart on the District website does accurately reflect the District's current organizational structure. The organizational chart is managed by an individual in the department at the direction of the Superintendent.

Responsible person: Elena Cala, Special Assistant to the Superintendent for Public Relations

Timeline: Completed.

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