

**BUFFALO CITY SCHOOL DISTRICT**

*Risk Assessment – Revenue and State Aid Cycle*

*For the Year Ended June 30, 2019*

*with Updates and Responses for  
the Year Ending June 30, 2021*



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***Risk Assessment – Revenue and State Aid Cycle***  
***For the Year Ended June 30, 2019 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 Revenue and State Aid 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 2018-2019 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 – Revenue and State Aid 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*

June 10, 2021



**Risk Assessment –  
Revenue and State Aid Cycle**





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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:

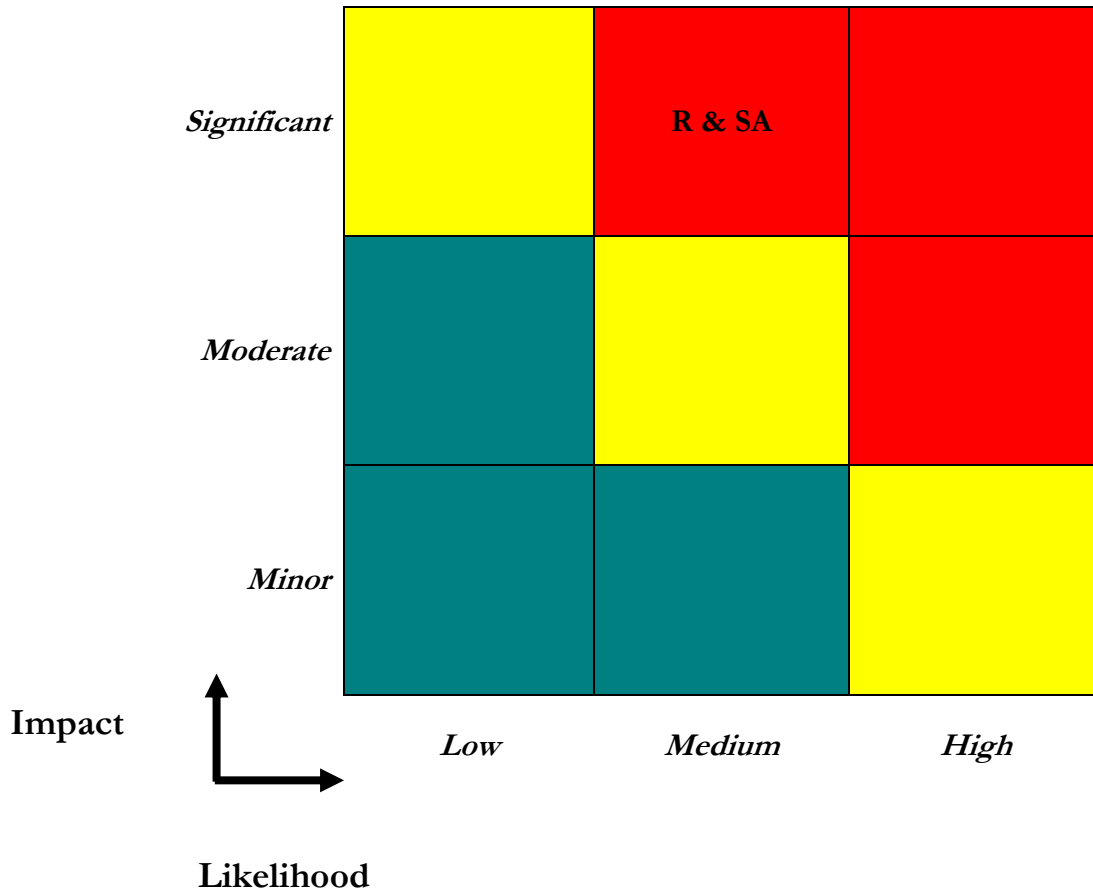
- A low likelihood suggests that the risk is unlikely to occur, given its nature and current risk management practices in place.
- A medium likelihood suggests that the risk has a moderate probability of occurrence.
- A high likelihood suggests that the risk is likely to occur, despite the current risk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

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**Risk Management Tolerance Model**



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**Risk Assessment Matrix**

<b><u>Cycle</u></b>	<b><u>Risk Assessment Based on Procedures Performed</u></b>	<b><u>Impact</u></b>	<b><u>Likelihood</u></b>
<b>R &amp; SA</b>	We noted significant overall risk in the Revenue and State Aid Cycle. Risks occur due to the following: <ul style="list-style-type: none"><li>▪ Lack of cross-training or succession planning related to STAC reporting</li><li>▪ Lack of written policies and procedures</li></ul>	Medium	High

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**Summary of Internal Control Recommendations –  
Revenue and State Aid Cycle**



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**Risk Assessment – Revenue and State Aid 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 Revenue and State Aid Cycle, there were 10 total recommendations. The criticality and timeline for the recommendations are as follows:

Internal Control Area	Number of Recommendations	Timeline		Short-Term	Long-Term
		Urgent	Important		
Revenue and State Aid	10	3	7	9	1

**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.

**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.

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**Detail Findings and Recommendations –  
Revenue and State Aid Cycle**



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## **Revenue and State Aid Cycle (R & SA)**

### **Recommendation #R&SA19-1**

**Criticality: Urgent**

**Timeline: Short-Term**

Currently, there is no standard process or procedure to ensure that agency certification forms are sent to the Committee of Special Education within 6 days of the applicable student's certification meeting with chair people in the Registration Office. In order to be eligible for New York State reimbursement for the student attendance, the Committee of Special Education must enter information from the agency certification forms into the New York State Education System to Track and Account for Children ("STAC") system within the 6 day period noted above. Therefore, the lack of a standard process or communication regarding the certification forms could potentially result in lower state aid reimbursements.

We recommend the District consider streamlining the certification form process through the use of an electronic document. These electronic forms could have drop-down menus or typed responses, so chair people can complete while performing the initial interview with the student/family. Therefore, once the forms are completed, they can be sent directly to the Associate Account Clerks in the Committee of Special Education Office.

**Management response:** The District agrees with the findings above. The Supervisor of the CSE Department is currently working with the CSE chairs to accelerate the information exchange of critical data to the STAC unit. A written procedure manual will be developed for use by the CSE department covering this issue and several other findings below. In addition, the District will investigate the development of electronic forms (possibly using SharePoint) to improve the efficiency of the process.

**Responsible person(s):** Kim Hoelscher, Associate Superintendent Special Education) and Erin Barren, Supervisor of CSE Department

**Timeframe:** Analysis of developing Electronic Forms began in January 2021. A CSE Department procedure manual is expected to be completed by September 30, 2021.

### **Recommendation #R&SA19-2**

**Criticality: Urgent**

**Timeline: Short-Term**

The procedures for reporting homeless student information in the State Education STAC system should be evaluated to determine if the responsibilities align with the other reporting in the STAC system. Per the STAC reports, the District's homeless student reimbursements have declined from \$564,628 in the 16-17 fiscal year to \$433,590 in 17-18. We also noted no data reported in STAC for 18-19.

As this reporting is specifically related to financial reimbursement, we recommend that the District evaluate the declining trend in homeless reporting to determine if all information is being entered. Also, the District should evaluate whether the reporting should be aligned with the performance of other STAC reporting.

**Management response:** In early 2020 the Deputy CFO working with Budget and STAC Unit staff conducted a full review of the Homeless Department's procedures for entering required data for STAC reimbursement. As part of this review, the STAC Unit entered 106 students and \$385,306 in educational costs into STAC for reimbursement for the 18-19 school year because no data had been entered. The findings of this review will be used for further training of Homeless Department staff. In addition, the District is discussing a potential reassignment of certain STAC entry responsibilities away from Homeless Department staff to the STAC Unit. Similar involvement of the Budget Department and STAC Unit staff is necessary in 2021 to ensure all student and cost information is entered for the 19-20 year, by the June 30, 2021 deadline.

**Responsible person(s):** Tonja Williams, Associate Superintendent for Support Services, Kim Hoelscher, Associate Superintendent Special Education, and Jim Barnes, Deputy CFO

**Timeframe:** Training is currently in progress. A decision on potential reassignment of STAC responsibilities will be completed by June 30, 2021.

**Recommendation #R&SA19-3**

**Criticality: Urgent**

**Timeline: Short-Term**

Currently, we noted a lack of standard communication between the District and holding centers for incarcerated youth. The absence of a standard communication, could result in students with IEP's receiving general education while incarcerated instead of additional assistance as outlined in their specific IEP. Further, the District may not be reimbursed from the State if the student is both being educated in incarceration, while still listed as active in the System to Track and Account for Children ("STAC") as a student with an IEP.

We recommend that when a student is first incarcerated, the District should coordinate with the holding center's administration to develop a standard procedure for how pertinent information will be exchanged. This procedure should identify when the District can take incarcerated students off of the STAC system and when the State will be notified that the District is not to be billed for these students.

**Management response:** The District agrees with the findings above. The SPED Department and Adult Education Department are currently working on documenting procedures that will provide timely and accurate information to the STAC unit regarding special education services being provided to incarcerated youth.

**Responsible person(s):** Amanda Vellake, Director of Adult Education, Kim Hoelscher, Associate Superintendent Special Education, and Jim Barnes, Deputy CFO

**Timeframe:** Written procedures and training will be completed by June 30, 2021.

**Recommendation #R&SA19-4**

**Criticality: Important**

**Timeline: Long-Term**

The District is at risk of students attending the New York State School not being enrolled in the Infinite Campus attendance system. The NYS School for the Blind enters their own information to the STAC system. The Buffalo City School District is reimbursed for the students attending this school if they reside within the boundaries of the District and the District also provides transportation for the students that attend this school who reside within the boundaries of the District.

We recommend that the District establish a standard procedures to ensure that the applicable students are enrolled within Infinite Campus, and that the District receives proper STAC reimbursement and reimbursement for transportation services.

**Management response:** The District agrees with the audit findings. The solution to these issues will take coordination and standard procedures between St. Mary's, the District's Transportation & Central Registration Department's and STAC unit. A written procedure manual will be developed for use by the CSE Department.

**Responsible person(s):** Kim Hoelscher Associate Superintendent Special Education, and Jim Barnes, Deputy CFO, Cheryl Kennedy, Director of Transportation, and Kelli Daniels, Director of Student Placement

**Timeframe:** A preliminary meeting including all the groups noted above will be held before September 30, 2021. A CSE Department procedure manual will be completed by September 30, 2021.

**Recommendation #R&SA19-5**

**Criticality: Important**

**Timeline: Short-Term**

The St. Mary's School for the Deaf sends New York State a list of their students for the summer session, but the list does not match the list that the District receives from St. Mary's School for the Deaf. The District also does not receive a list of students that obtained transportation services from the District. As a result, the District has difficulty reconciling which students are in attendance at St. Mary's School for the Deaf or those that received transportation for the summer school sessions. The District can only apply for reimbursement claims based off of what St. Mary's School for the Dead sends to the New York State Education Department, which may overstate or understate the actual attendees.

We recommend that the District establish a standard procedure to obtain and reconcile the list that St. Mary's School for the Deaf sends to New York State to ensure that the District's records match that of the State and School. In addition, the District should develop a standard procedure to ensure that they are receiving proper reimbursement for related transportation services.

**Management response:** The District agrees with the audit findings. The solution to these issues will take coordination and standard procedures between St. Mary's, the District's Transportation Department, Central Registration Department and STAC unit. A written procedure manual will be developed for use by the CSE Department.

**Responsible person(s):** Kim Hoelscher Associate Superintendent Special Education, and Jim Barnes, Deputy CFO Cheryl Kennedy, Director of Transportation,

**Timeframe:** A preliminary meeting including all the groups noted above will be held before September 30, 2021. A CSE Department procedure manual will be completed by September 30, 2021.

**Recommendation #R&SA19-6**

**Criticality: Important**

**Timeline: Short-Term**

Currently, there is no standard procedure in place to ensure that child information change forms/agency forms are received by the Associate Account Clerks in the Committee of Special Education Department when the IEP's are updated each year. As a result, the Associate Account Clerks may not be aware of any change to the student's documented disabilities, which correspond to reimbursements applied for by the District from New York State.

We recommend that the District develop a standard procedure to obtain timely updates from the chair people when a disability is changed, and inform those responsible why it is important that they receive timely updates, so the District is able to maximize its claims reimbursements for certain disabilities.

**Management response:** The District agrees with the audit findings. The Supervisor of the CSE Department is currently working with the CSE chairs to accelerate the information exchange of critical data to the STAC unit. A written procedure manual will be developed for use by the CSE Department.

**Responsible person(s):** Kim Hoelscher, Associate Superintendent Special Education, and Erin Barren, Supervisor of CSE Department

**Timeframe:** A CSE Department procedure manual will be completed by September 30, 2021.

**Recommendation #R&SA19-7**

**Criticality: Important**

**Timeline: Short-Term**

Currently, New York State regulates what disability a school can provide services for, and thus which students can go to which school within the District. When an incorrect placement occurs, the State will not grant reimbursement without special approval granted by the Commissioner.

We recommend that the District establish a standard, periodic review over placements to ensure that the students are receiving appropriate education services and the District is receiving proper reimbursement.

**Management response:** The District agrees with the audit findings. The Supervisor of the CSE Department has already conducted a meeting with all CSE Chairs on this issue. A written procedure manual will be developed for use by the CSE Department.

**Responsible person(s):** Kim Hoelscher, Associate Superintendent Special Education, and Erin Barren, Supervisor of CSE Department

**Timeframe:** A CSE Department procedure manual will be completed by September 30, 2021.

**Recommendation #R&SA19-8**

**Criticality: Important**

**Timeline: Short-Term**

When an Agency Schools' student either leaves the District or when circumstances change, such as an address change, the District is not receiving letters from the Agency Schools informing the District of the change. Agency Schools provide special education services for students with IEP's and subsequently are provided payment for the services performed. While the student is discharged in the STAC system, the District is still getting billed tuition for students that are no longer enrolled in the Agency School. When the District is billed, they owe money but a reimbursement cannot be claimed. The District is responsible for providing payment to these Agency Schools as the District is where the student should be enrolled in due to District boundaries.

We recommend that the District develop a policy for Agency Schools to provide procedures that must be followed when a student is discharged. Further, the District should create procedures relating to billing for the deficiency of students who are incarcerated or have long term absences.

**Management response:** The District agrees with the audit findings. The Supervisor of the CSE Department has already sent a letter to all Agencies notifying them of this problem and requesting a meeting to develop new procedures to improve the timeliness of receiving required information.

**Responsible person(s):** Kim Hoelscher, Associate Superintendent Special Education, and Erin Barren, Supervisor of CSE Department

**Timeframe:** Follow up meetings with all Agencies on this issue will be conducted by September 30, 2021. A written procedure manual will be developed for use by the CSE Department.

**Recommendation #R&SA19-9**

**Criticality: Urgent**

**Timeline: Short-Term**

Currently, there is no formal succession plan in place for key personnel within the Committee of Special Education Department Office which is considered vital to special education operations and essential state aid STAC reimbursement at the District. Some of the critical process and functions noted include 1.) Knowledge and reporting of the STAC system relating to state aid revenues, 2.) Maintaining and reconciling special education student information and related tuition rates 3.) Tracking changes in tuitions rates, even if they are retroactively changes, 4.) Inputting and reporting in the Kinney System.

Considering the critical roles related to state aid reimbursements, we recommend that written procedures and cross training opportunities be developed and we recommend that a formal succession plan is created and implemented in the short-term.

**Management response:** We agree with the findings. The STAC Unit currently relies upon the knowledge and efforts of one Associate Account Clerk (Lori Beiter). The STAC Unit is responsible for 13 different reimbursement programs and over 2,000 students. The development of written procedures and cross training aimed at documenting all revenue related processes (SAMS, STAC, Medicaid, Tuition Billings) and cross training amongst several staff members in the Budget department and STAC Unit is currently in process. In order to improve the efficiency and effectiveness of completing the documentation and cross training we are looking into reassigning the reporting structure of the STAC Unit from the SPED to the Budget Department.

**Responsible person(s):** Kim Hoelscher, Associate Superintendent Special Education, Jim Barnes, Deputy CFO and Geoff Pritchard, CFO

**Timeframe:** Documentation of STAC procedures will be completed by September 30, 2021. A final decision on the reporting arrangements for the STAC Unit will be completed by September 30, 2021.

**Recommendation #R&SA19-10**

**Criticality: Important**

**Timeline: Short-Term**

The District is reporting new equipment on their annual cost report to the State for Medicaid, however there is equipment being depreciated by the District that is not included within these cost reports. The District is eligible to claim these identified pieces of equipment on the cost report for reimbursement.

We recommend that the District work with the Accounting Department to obtain a complete list of assets being used by the Special Education Department. This listing should be used in the preparation of the Medicaid cost reports to ensure maximum reimbursement on equipment and associated depreciation.

**Management response:** The Accounting Department will review the Special Education Departments listing of equipment and make sure that all equipment is listed as fixed assets and depreciated as necessary.

**Responsible person:** Julie Carbone, Financial Controller

**Timeframe:** June 2021