

BUFFALO CITY SCHOOL DISTRICT

Risk Assessment – Special Education Cycle

Findings and Recommendations

For the Year Ending June 30, 2016

BUFFALO CITY SCHOOL DISTRICT
Risk Assessment –Special Education Cycle
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For the Year Ending June 30, 2016
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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 Special Education Cycle related to contracted services for Occupational Therapy (“OT”) and Physical Therapy (“PT”) 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 inquiry and observations and tests of internal controls performed during the 2015-2016 fiscal year.

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 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 the 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 comments 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 the 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

October 21, 2015

Risk Assessment – Special Education Cycle

BUFFALO CITY SCHOOL DISTRICT
Risk Assessment – Special Education Cycle
For the Year Ending June 30, 2016

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 for the District's ability to succeed.
- 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 - Special Education 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 Special Education Cycle relating to contracted services for OT and PT during the year ending June 30, 2016.

BUFFALO CITY SCHOOL DISTRICT
Risk Assessment - Special Education Cycle
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Risk Assessment Matrix

<u>Cycle</u>	<u>Risk Assessment Based on Procedures Performed</u>	<u>Impact</u>	<u>Likelihood</u>
SE	We noted risks in the Special Education Cycle due to the following: <ul style="list-style-type: none">▪ No standard review or approval process related to assignment and reassignment of Occupational Therapy (“OT”) and Physical Therapy (“PT”) providers contracted by the District.▪ Request for Proposals for OT and PT services do not clearly outline all requirements.▪ Inconsistent scoring of proposals submitted for OT and PT.	Significant	High

**Summary of Internal Control Recommendations –
Special Education Cycle**

BUFFALO CITY SCHOOL DISTRICT
Summary of Internal Control Recommendations – Special Education Cycle
For the Year Ending June 30, 2016

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, there were 4 total recommendations. The criticality and timeline for the recommendations is as follows:

Internal Control Area	Number of Recommendations	Criticality			Timeline	
		Urgent	Important	Routine	Short-Term	Long-Term
Special Education Cycle(SE)	4		4		4	
Total Recommendations	4		4		4	

Timeline – Each of the detail findings includes 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 –
Special Education Cycle**

BUFFALO CITY SCHOOL DISTRICT
Detail Findings and Recommendations
For the Year Ending June 30, 2016

Special Education Cycle (SE)

Recommendation #SE1

Criticality: Important

Timeline: Short-Term

For the 2015-16 school year, the District contracted with 4 different providers for Occupational Therapy (“OT”) services and 1 provider for Physical Therapy (“PT”) services. Based on our inquiries and understanding of the current process, the Supervisor of Revenue and Related Services is responsible for assigning schools amongst the contracted providers. However, we were unable to determine the basis or rationale as to how the schools were split up between the 4 providers for OT services. Additionally, we noted there is no documented review or approval of the assignment or reassignment of schools to specific providers.

Because contract amounts are estimated based on the number of students who receive OT and PT services, we strongly recommend the District review its current process for assigning OT and PT to ensure that proper oversight is performed. In addition, the District should formalize these procedures as a standard process or methodology subject to periodic review and approval to ensure proper oversight.

Response:

Previous administrator divided cases to be as equitable as possible. However, in an effort to be as transparent as possible, the District will have a known formula to determine vendor assignment. As part of the RFP process, each vendor will be asked to state the number of students sessions they are able to support. Based upon this answer, the total number of student therapy sessions will be divided by the number of therapists needed. The number of vendors needed to meet this need will determine the number of vendors we contract with. A review of assignments for the upcoming school year will be completed by July 31st. A review to determine possible reassignment will occur by October 15th. Additional review of possible reassignments will occur on an as needed basis.

Recommendation #SE2

Criticality: Important

Timeline: Short-Term

For OT and PT services, the District sends out a Request for Proposal (“RFP”) to prospective providers. To evaluate the proposals, ten requirements were included on an evaluation matrix to score the bids received; however, only five requirements were clearly outlined in the RFP for these services.

We recommend that the RFP include all specifications the District requires in regards to the services requested. If a matrix is used to evaluate the potential providers, the matrix criteria should be clearly outlined in the context of the RFP requirements so providers have the opportunity to submit a proposal that will address all of the evaluation criteria.

Response:

The RFP will include all specifications that are stated in the evaluation matrix. Matrix criteria will be clearly outlined in the RFP.

Recommendation #SE3

Criticality: Important

Timeline: Short-Term

We obtained the results of the most recent OT and PT bids and noted 11 common providers that bid on both services. The evaluation of providers was based on a total score which consisted of ten criteria rated on a scale of 0 to 4. Per review of the results, we noted the following:

- Of the 11 vendors, 7 vendors were graded differently between the OT and the PT bids. For example, one of the requirements was familiarity of Buffalo Public Schools. Two providers that were noted as providing past services to the Buffalo Public Schools were given a rating of 0 on the PT evaluation and a rating of 4 on the OT evaluation.
- No specific explanations or definitions for the scoring were provided or attached to the results. Therefore, we were unable to determine how scores of 2 and 3 related to the range.

We recommend that the District evaluate the current RFP evaluation process as it relates to OT and PT services. The process should be evaluated to ensure that support and rationale are documented as basis for awarding these contracts.

Response:

Evaluation rubrics have been modified to reflect objective, consistent scoring. A detailed explanation of the scoring process will be provided on the scoring matrix. This will include rationale and support for each score given. Additionally, the rating scale will be adjusted to a two point scale for some items, a yes/no scale for others and 2 items will be scored based on rank. Scores of 0 will be given if the criteria is not met and a score of 1 will be given if the criteria is met. Scores of yes will be given if the RFP meets the requirement and a no if it does not. Vendors will be ranked for the following items: cost per student and # of students they can service. The scoring rubric will clearly identify which scoring system is being used for each item. Support and rationale are clearly documented in the RFP and on the scoring matrix.

Recommendation #SE4

Criticality: Important

Timeline: Short-Term

As noted previously, the District currently contracts with 4 providers for OT services. However, it currently contracts with only one PT provider.

We recommend that the District establish internal policies and procedures related to these services and the appropriate number of providers to be used. The policy should be applied consistently with exceptions being documented.

Response:

The District will use as few vendors as possible based upon the number of therapists needed and vendor capacity. In all cases, the District will maximize a vendor's services/staff capacity before contracting with another vendor.