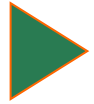


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UPDATED INTERNAL CONTROL RISK ASSESSMENT FOR



BRIGHTON CENTRAL SCHOOL DISTRICT

**Brighton Central School District
2035 Monroe Avenue
Brighton, NY 14618**

April 22, 2022

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BACKGROUND/OBJECTIVE:

In 2005, the Office of the New York State Comptroller (OSC) along with the New York State Education Department (SED) produced the “Five-Point School Financial Accountability Plan.” The Plan promotes stronger internal controls, improves school district audits and strengthens the roles of boards of education in conducting appropriate oversight. One component of the Five-Point Plan requires all districts to establish an internal audit function, which must include the development, annual updating, and reporting on a risk assessment of district operations.

The Brighton Central School District (“Brighton” or sometimes referred to as “The District”) outsourced its internal audit function and engaged EFPR Group, CPAs, PLLC (EFPR) to serve as its internal auditor. The risk assessment was last updated in a report issued on March 17, 2021.

In March 2022, we again reviewed relevant reports and documents and met with a variety of administrative staff to update our understanding of the processes and existing controls over District operations. This report is the product of our updated assessment of the District’s risk profile and is intended to satisfy the annual update as required by the “Five-Point Plan”.

Our approach to understanding controls was to meet with appropriate personnel for each respective area and to discuss and understand processes and procedures. In addition, where necessary, we performed walk-throughs of transaction cycles and/or performed tests of transactions. After compiling this information, the audit areas were prioritized into three categories: high risk, moderate risk, and low risk.

The risk assessment identifies the areas that we believe are most susceptible to material misstatements going undetected, given existing procedures and internal controls in those areas. Strengthening control procedures helps increase the likelihood that any such misstatement would be detected and corrected by staff and management during the normal course of their duties.

INFORMATION GATHERING:

In updating our risk assessment, we reviewed the following district records:

- Financial statements and management letter for year ended June 30, 2021
- Extraclassroom Activities financial statements for year ended June 30, 2021
- Policy manuals
- Board minutes
- Accounts payable warrants
- Payroll registers
- Bank reconciliations
- Internal Claims Auditor reporting
- Accounts receivable aging report
- Cash receipts journal
- Appropriations status report

INFORMATION GATHERING (Continued)

We also interviewed the following individuals during the risk assessment update:

- Lou Alaimo, Assistant Superintendent for Operations
- Lisa Hartman, Director of Human Resources
- Tom Hyman Director of Transportation
- Eric Jordan, Director of Information Technology
- Patty Lane, Benefits
- Martha Lucci-Burney, Accounts Payable
- Rob Luce, Buildings and Grounds
- John Novelli, Buildings and Grounds – Custodial
- Michelle Norton, Internal Claims Auditor
- Bill Moyer, Payroll Clerk
- Nicole VanDerMeid, Director of Food Service
- Maureen Vanderwege, Extra-Classroom Activities Central Treasurer
- Dahlia Watts, Director of Finance, Treasurer

PROCEDURES APPLIED:

In March 2022, EFPR met with the staff noted above to update our understanding of current personnel, processes, and procedures. We employed guidelines established by the New York State Education Department (SED) and the Office of the State Controller (OSC) as a basis for determining the adequacy of existing controls and processes over District operations. Significant changes in personnel and procedures (if applicable) were identified through discussions with management and staff. The changes were evaluated to determine their impact on the control environment and have been documented and incorporated in the revised risk assessment.

RESULTS:

A summary table of the control cycles and their associated level of risk, from both the 2020-21 updated risk assessment and this year’s updated risk assessment, is presented below:

UPDATED RISK ASSESSMENT SUMMARY

CONTROL CYCLES	LEVEL OF RISK- 2020-21	LEVEL OF RISK- 2021-22	COMMENTS / SIGNIFICANT CHANGES FROM PRIOR YEAR
Budgeting	Moderate	Low	No significant changes or concerns were noted at this time.
Cash Receipts and Revenues	Low	Low	No significant changes or concerns were noted at this time.
Transportation	Low	Low	No significant changes or concerns were noted at this time.
Food Service	Moderate	Low	District should continue to monitor the financial performance of the program closely in an effort to generate a surplus from operations this year.
Extraclassroom Activity Fund	Low	Low	No significant changes or concerns were noted at this time.
Facilities, Equipment, and Inventory	Moderate	Low	No significant changes or concerns were noted at this time.
Purchasing, Claims, Accounts Payable, Cash Disbursements	Moderate	Moderate	No significant changes or concerns were noted at this time.
Payroll and Personnel	Moderate	Moderate	District should ensure that all payroll registers indicate management’s timely review and approval of payroll transactions.
Accounting, Reporting, and Information Technology	Moderate	Moderate	District has partnered with a third party vendor with expertise in computer security services.

Note – in formulating the level of risk, as displayed on the attached matrix, consideration is given to both inherent risk (categories such as budget size, and financial exposure/potential loss) and control risk (categories such as major changes in operations, programs, systems and personnel). Due to the high level of inherent risk in some control cycles (Cash Disbursements and Payroll), risk may be elevated beyond the control of the District.

RESULTS (Continued):

Each general area of the District and the specific control cycle is listed below with relevant observations and/or comments for each. Our recommendations and suggested enhancements are summarized for your review.

Budgeting

Comment:

This area appears to be operating effectively with no significant concerns noted.

Cash Receipts and Revenues

Comment:

This area appears to be operating effectively with no significant concerns noted.

Transportation

Comment:

This area appears to be operating effectively with no significant concerns noted.

Food Service

Comment:

The Food Service program has experienced significant financial challenges in the past two years due to the impacts of COVID-19 on its operations. The program incurred a loss from operations (prior to transfers from the General Fund) of \$64,030 in 2019-20 and a loss of \$194,335 in 2020-21. During the 2021-22 school year all meals continue to be free to students throughout the year, providing a higher reimbursement to the District for the meals served. This, combined with the fact that all students are back to attending school five days a week, should help improve the program's ability to stabilize its financial performance. However, one challenge that will likely offset the expected increase in revenue is the significant price increases for food and other supplies. We encourage the District to continue to monitor the program closely in an effort to improve its financial performance in the current year.

RESULTS (Continued):

Extraclassroom Activity Fund

Comment:

This area appears to be operating effectively with no significant concerns noted.

Facilities, Equipment, and Inventory

Comment:

This area appears to be operating effectively with no significant concerns noted.

Purchasing, Claims, Accounts Payable, Cash Disbursements

Comment:

This area appears to be operating effectively with no significant concerns noted.

Payroll and Personnel

Finding:

- a.) We noted that there is a process in place for District management to review and certify the payroll registers each pay period. However, we noted one instance in which a payroll register lacked evidence of management’s review and approval and one instance in which the review and approval did not appear to be completed timely.

Recommendation:

- a.) We encourage the District to ensure that evidence of management’s timely review and approval of the District’s payroll transactions is indicated on each payroll register. This will help ensure that payroll transactions are accurate and that the District is in compliance with guidance issued by the Office of the New York State Comptroller.

Accounting, Reporting, and Information Technology

Comment:

The District has partnered with a third party vendor with expertise in computer security services. This vendor is providing assistance to the District in its efforts to comply with Ed Law 2d requirements and implement improvements with respect to cybersecurity practices, among other services. We encourage the District to continue its efforts to reduce potential network vulnerabilities and to address and resolve items that have previously been suggested, including finalizing an incident response plan and implementing exercises that can be helpful in preventing phishing attempts.

SUMMARY:

As described and noted above, each area has been assigned a level of risk. The attached Exhibit A represents a summarization of all the categories we considered in formulating our risk assessment.

This document can be used as a tool to assist the Brighton Audit Committee in selecting specific control cycles which to examine in further detail, as required by the “Five-Point Plan.”

CLOSING COMMENTS:

We would like to thank the central administration staff of Brighton Central School District for their assistance and cooperation in updating this risk assessment of the District.

Brighton Central School District Risk Assessment 2021-22

Appendix A

Note: For each control cycle rate the perceived risk from 0-3. 0= No risk 1=low 2=Medium 3=High

Note: For the total column, risk was calculated: 0-5 = low, 6-10 = Medium, 11+ = High

In formulating the level of risk, consideration is given to both inherent risk (categories such as budget size, and financial exposure/potential loss) and control risk (categories such as major changes in operations, programs, systems and personnel). Due to the high level of inherent risk in some control cycles (Cash Disbursements and Payroll), risk may be elevated beyond the control of the District.

Control Cycle	Date or Results of last Audit/Examination	Management letter Comments	Budget Size	Financial Exposure / Potential loss and Risk	Major Changes in Operations, Programs, Systems and Controls	Personnel Changes	EFPR Evaluation	Total Risk Score
Governance and Planning								
1	Budgeting	0	1	1	0	0	0	2
Revenue and Cash Management								
2	Cash Receipts & Revenues ♦Cash Management & Investments ♦Real Property Taxes ♦User Charges	0	3	2	0	0	0	5
Student Services								
3	Transportation	0	1	1	0	0	0	2
4	Food Service	0	1	2	0	0	1	4
5	Extracurricular Activity Fund	0	1	1	0	0	0	2
6	Facilities, Equipment and Inventory ♦Capital Assets ♦Capital Projects ♦Indebtedness ♦Inventory Controls (School Lunch)	0	2	2	0	0	0	4
Purchasing and Expenditures								
7	Purchasing, Claims Processing & AP and Cash Disbursements	0	3	3	0	0	0	6
8	Payroll and Personnel	0	3	3	0	0	0	6
9	Accounting and Reporting and I.T.	0	2	3	0	0	1	6

EFPR EVALUATION

Note: EFPR evaluated risk is determined by checklists, inquiry of staff and auditor observations

Control cycle	EFPR Evaluated Risk
Budgeting	
Procedures are adequate and being followed	0
Proper segregation of duties	0
Staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0

Cash Receipts & Revenues

Procedures are adequate and being followed	0
Proper segregation of duties	0
Staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0

Transportation

Procedures are adequate and being followed	0
Proper segregation of duties	0
Staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0

Food Service

Procedures are adequate and being followed	0
Proper segregation of duties	0
Staffing	0
Concerns from staff	2
Total EFPR evaluated risk	1

District should continue to monitor the program closely in an effort to improve its financial performance this year

Extraclassroom Activity Fund

Procedures are adequate and being followed	0
Proper segregation of duties	0
Staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0

Facilities, Equipment and Inventory

Procedures are adequate and being followed	0
Proper segregation of duties	0
Staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0

Purchasing, Claims Processing & AP and Cash**Disbursements**

Procedures are adequate and being followed	1
Proper segregation of duties	0
Staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0

District should ensure that all payroll registers include evidence of management's timely review and approval

Payroll and Personnel

Procedures are adequate and being followed	0
Proper segregation of duties	0
Staffing	0
Concerns from staff	0
Total EFPR evaluated risk	0

Accounting and Reporting and I.T.

Procedures are adequate and being followed	2
Proper segregation of duties	0
Staffing	0
Concerns from staff	0
Total EFPR evaluated risk	1

District should continue its work with third party vendor to strengthen cybersecurity practices