Erie 1 BOCES

Risk Assessment and Internal Audit Plan

May 16th, 2020
Published: October 26th, 2020

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Audit Committee
Erie 1 BOCES
355 Harlem Road
West Seneca, New York 14224

Dear Audit Committee:

This report, as expressed in the risk assessment ratings, provides you, the Erie 1 BOCES management, and the audit committee with the assessment of the need for controls and a means to prioritize risk mitigation efforts. The risk assessment is an initial step in your risk management program of assessing risk, evaluating controls, reviewing control effectiveness, and adapting measures to achieve an acceptable level of risk. The risks noted in the risk assessment should be evaluated in light of your existing policies and practices to identify potential improvements or changes in the control structure based on the level of risk presented. To assist you in establishing review programs for these activities, a potential internal audit plan and schedule for the entities are provided.

We appreciate the opportunity to prepare this risk assessment for the Erie 1 BOCES and are available to assist you in carrying out other portions of the risk management program including the work plan. We are also available to answer your questions. Please contact Sam DeLucia at 585-360-1405 or Katelyn Crowley at 716-362-6281.

Sincerely,

Freed Maxick CPAs, P.C.

Freed Maxick CPAs, P.C.

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EXECUTIVE SUMMARY

The internal audit function's primary responsibility is to assist the Board of Education in ensuring that control risks are identified and that appropriate internal controls are in place to address those risks. An entity's internal control is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance that assets and BOCES' information is adequately safeguarded and reduce the likelihood that errors and/or irregularities could occur and go undetected.

In 2011, the audit committee requested that Freed Maxick CPAs, P.C. perform an initial risk assessment and prepare an internal audit plan for Erie 1 BOCES (BOCES). This report represents an update to the initial risk assessment that was performed for Erie 1 BOCES. It has been updated for all modifications made to the internal controls since the initial risk assessment was performed. This risk assessment and internal audit plan will be used to develop the scope and direction of the internal audit program to be deployed by the BOCES and Freed Maxick CPAs, P.C. during the current fiscal year.

Establishment of a comprehensive internal audit program will enable BOCES to align its mission and vision with its operational structure and environment, assess risk as it relates to materiality, opportunity, and organizational objectives, control risk mitigation, improve organizational functionality through value-added communication and information resourcing, and vigilantly monitor the effectiveness of internal control to promptly counteract any shortfalls. It can also be used to determine what resources will be needed to complete the identified higher risk internal audits.

Intrinsic in the risk assessment of Erie 1 BOCES is the concept of materiality. Those areas of BOCES that deal with more significant dollars or a higher volume of transactions will most likely score as higher risk merely due to the dollars and number of transactions passing through those transaction cycles.

The objective of this report is to ensure that Erie 1 BOCES has sufficient and continuous internal audit coverage of those areas judged as having a relatively higher risk profile or that otherwise require internal audit attention for regulatory or management reasons.

The scope of the risk assessment and internal audit plan has been reviewed and approved by the Audit Committee of Erie 1 BOCES, who in turn has final responsibility and authority for the satisfactory execution of the internal audit plan. The risk assessment and internal audit plan is primarily risk-based and is organized around BOCES major internal control cycles. The plan was developed based on detailed interviews with employees, administrative personnel, the results of previous internal and external audits, and our cumulative knowledge of BOCES internal control risks.

Our interviews with employees, management and administrative personnel were directed toward gaining a thorough understanding of the objectives and related risks in each internal control area, from the perspective of the individuals responsible for controlling such risks. Using this information and input, we evaluated the level of risk (low, moderate or high) present in each area; across a standard spectrum of risk categories (see Appendix for risk category definitions). A summary of this risk analysis by control cycle is included subsequently. The risk assessment process also drives the planned scope of the internal audit coverage, which is summarized by internal control area. **Information noted in bold blue type or** ~~**strikked through**~~ **represents changes to the BOCES internal controls since the last risk assessment due to changes in processes or additional information obtained.**

BOCES administration and the Audit Committee are responsible for establishing and maintaining effective internal control. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

RESULTS OF REVIEW OF INTERNAL CONTROLS AND ON SITE VISIT

During our review of the internal controls of the BOCES, we noted the following:

Budget Development, Implementation and Monitoring

◈ As discussed in last year's risk assessment, we noted the following:

- the accounting system will allow an appropriation to be processed causing the budget to go negative. The BOCES may consider implementing an internal control whereby the Department Director/Supervisor and the Business Official will receive a warning when a requisition will result in a negative appropriation. Once the warning is received, the Department Director/Supervisor should verify to the Business Official that a budget amendment in is process that will rectify the situation or if a budget transfer will need to be completed. BOCES discussed evaluating this situation, but no corrective action has been taken at this time.

- We noted that when requests for changes in service are received, the Business Office increases the revenue budget for the program but does not record the corresponding increase to the appropriation budget. The respective program director is responsible for "loading" the amendment to the appropriation budget, and this is not always performed in a timely manner. We recommended when requests for changes in service are received, the Business Office prepare the budget amendment (revenue and expenditure). The Business Office may consider using a "dummy" appropriation budget code. The program director would then be responsible for transferring the additional budgeted funds to the appropriate budget lines within the program. If WinCap system securities are established so that budgeted appropriations are prohibited from "going negative" it will help ensure that transfers are completed in a timely manner. BOCES discussed evaluating this situation, but no corrective action has been taken at this time.

Management Response: The WinCap Financial Accounting Software provides a warning to the initiating department when the purchase requisition they are creating will result in a negative encumbrance balance in a specific budget line. The Business office monitors the budgets by completing reviews using the Budget Status report for each CoSer to monitor financial performance.

Erie 1 BOCES utilizes a decentralized system for budgeting to allow for meaningful participation by the operating departments. While the Business office does not adjust the budget for budget amendments, the Department Directors or their designees are notified of the amounts and complete budget amendments. A holding account for budget amounts is already in place.

Cash Receipts – Vocational Education

◈ As discussed in last year's risk assessment, cash and checks received by the Vocational Education Program are collected by the students then forwarded and recounted by the Instructor, main office and the Senior Account Clerk in the finance office. Internal controls and segregation of duties could be improved if access to cash and checks collected were limited to the students and instructors in the Vocational Education Program. We recommended that all cash and checks collected by the Vocational Education Program be locked in a tamper resistant bag and forwarded to the Finance Office for deposit and recording in the general ledger. BOCES discussed further evaluating this situation, but no corrective action has been taken at this time.

Management Response: The Business office has implemented the process described within the recommendation for other departments and anticipates revising the cash receipt process for vocational education funds within the current year.

Cash Disbursements and Internal Claims

◆ As discussed in last year's risk assessment, the Internal Claims Auditor audits claims against a pre-warrant but does not compare the pre-warrant to the final warrant. Additionally, the Internal Claims auditor does not personally meet with the Board of Education or the Audit Committee when needed to report on the internal claims audit process and findings, it is presented by the Director of Management Services or another designee. We recommended the BOCES consider adding a system control whereby the Internal Claims Auditor will approve the claim electronically within the WinCap System. Once the claim is approved it is "locked" and no changes can be made to the claim. This will prevent claims from being altered after the claim is audited. Also, the internal claims audit process and findings should be presented by the internal claims auditor to the Board. BOCES discussed further evaluating this situation, but no corrective action has been taken at this time.

Management Response: The Business office will examine each suggestion and develop an implementation timeline. The recommendations involved multiple parties and will be assessed in conjunction with operating requirements.

Human Resources and Payroll

◆ The Director of Human Resources certifies payroll on a biweekly basis. However, a comparison of data to the previous payroll or review of a payroll change report is not performed. Given the number of employees of the BOCES the mere review and certification of the payroll may not minimize the risk that payroll is not misstated to an acceptable level. We recommend the BOCES consider developing a payroll change report that identifies only changes in each employee's gross payroll between pay periods for review of the Executive Director of Human Resources and Professional Development every pay period.

Management Response: The organization recognizes that payroll certification is an important step in ensuring that staff are paid correctly. With over 1,000 employees paid every two weeks, it is important to be able to determine anomalies in employee pay from one pay period to the next to ensure accuracy and avoid payroll fraud in a quick and effective manner. Human Resources will investigate the types of payroll change reports available in WinCap and will implement the use of a report that will allow a comparison of employees pay between payroll periods.

◆ As discussed in last year's risk assessment, BOCES maintains two separate systems through which employee paid time off is tracked. Requests are initiated via e-form. Approved requests from the e-form system are reformatted and uploaded to WinCap web on a weekly basis, often resulting in a one-week lag differential in PTO balances reported in the two systems. WinCap is capable of tracking PTO activity and balances. We recommended that the BOCES continue to evaluate this process as the current e-form system is in the process of being eliminated. BOCES discussed further evaluating this situation, but no corrective action has been taken at this time.

Management Response: Erie 1 leadership recognized that it would be efficient to have an employee attendance request system to be integrated directly with WinCap. Up to this time, the features in our

home-grown system outweighed the benefits of using the integrates WinCap web system. With the organization migrating email to Microsoft, the organization is looking at all electronic forms including the request for PTO days. As part of the process, we will investigate the use of WinCap and possibly other time and attendance systems that will integrate in seamlessly with WinCap.

Wire Transfers and Banking

◆ As discussed in last year's risk assessment, BOCES wire transactions are not performed on a dedicated, stand-alone computer without e-mail and web browsing capabilities. We recommended the BOCES assign one dedicated, stand-alone computer solely for transacting wire transfers in an effort to increase security over BOCES banking transactions. BOCES discussed further evaluating this situation, but no corrective action has been taken at this time.

Management Response: The pandemic resulted in every available computer being deployed for virtual use by the Business office employees. Erie 1 BOCES plans to implement the use of a dedicated computer for wire transfers in the future.

Computer System Controls:

◆ During our risk assessment, we became aware that IT processes are not well documented and existing documentation did not clearly communicate to employees responsible for IT functions, management's expectations. While it appears employees responsible for IT functions understand their role, responsibilities and processes that are to be followed to ensure the BOCES IT functions operate properly, this these items are not well documented. Formally documented standards for various IT processes helps to ensure employees are aware of their responsibilities related to IT processes. Formal documentation for each IT process should exist. The following are some examples of areas where formal documentation of processes should exist:
- Separation / Termination
- New Hire
- Disaster Recovery
- Incident Management
- Logging and Monitoring
- Change Management
- Remote Access
- Asset Management
- Backup and Recovery
- Data Retention and Disposal
- Data Classification

We recommend the BOCES formally document all IT processes to the extent necessary to ensure employees responsible for IT functions understand their roles and responsibilities, have a consistent process to follow and that the process that has been established is consistent with management's expectations. Once these policies are documented, they should be reviewed at least annually for any updates that need to be made.

Management Response: Currently, Erie 1 BOCES is working to align with the National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF) as directed by New York State Education Department (NYSED). The implementation of the functions, categories, and sub-categories

in the framework provides opportunities to develop and implement processes to address all aspects of the Computer System Controls identified in this review. As we address the NIST CSF, we are documenting the necessary processes, procedures, and protocols to establish clear communication to all employees on Erie 1 BOCES IT functions.

◆ Access rights to the BOCES' network as well as various application software, including WinCap and RAMI, are not reviewed on a periodic basis. The user access review process should include reviewing user access for: (1) any users that no longer require access such as through user terminations; (2) any users that have access should have a "least privilege required" amount of access; and lastly (3) a verification that no known segregation of duties exist within the system and/ or between other systems for that user. We recommend that access rights be reviewed at least annually to ensure access to the BOCES' network, as well as various applications, is appropriate. Access levels should be reviewed and limited to only the functions that are critical for employees to perform their daily job responsibilities.

Management Response: In addition, as E1B continues to research a Human Resources Management System (HRMS), the organization will be better equipped to review, monitor, and address access to WinCap, RAMI, and other programs through a more consistent process connected to onboarding and termination of employees. The anticipated implementation of the HRMS is July 2021.

Corrective Action Taken on Previously Reported Findings:

Operations and Cross Training – Previously, we had reported that there has been significant staff turn-over entity wide and there was a lack of cross training among the staff. BOCES has since started cross training complementary departments while maintaining a proper segregation of duties. Also, the departments have been working to create detailed procedural manuals that will be available to employees on a shared drive to be accessed as needed.

Operations and Cross Training – Previously, we had reported that BOCES should review their procurement policy and incorporate the Uniform Guidance requirements in CFR Part 200.318-200.326 into their policies and procedures. BOCES has adopted the following policies related to Uniform Guidance:
- Policy, 5413, Uniform Guidance for Federal Awards (adopted June 12, 2019)
- Policy 6110, Code of Ethics for Board Members and All BOCES Personnel (last revised June 13, 2018)

The policies cover all relevant issues related to Uniform Guidance.

Budget Development – Previously we had reported that BOCES' program level budgets that are adopted may not be truly balanced budgets and may include a deficit appropriation budget line at the time the budget is implemented with the expectation that the deficit will be eliminated as additional service requests are received. BOCES believes that adequate mitigating controls have been established through the monitoring of actual revenues and expenses and projecting additional service needs on a monthly basis with adjustments to appropriations as needed.

Budget Development – Previously we had reported that there was some concern that there may be weaknesses in BOCES' evaluation of human capital needs. BOCES has since developed a process for evaluating human capital needs by requiring requests for additional staff or to fill vacant positions to be submitted via an e-form that is presented to the core processing team. This team will evaluate the need for the additional staff/ filing the vacant position before signing off on the position being posted.

Budget Development – Previously we had reported that BOCES had not prepared a long-term financial plan for the administrative component of their budget or individual program or division budgets. BOCES has since implemented a long-term financial plan for the administrative component of their budget and individual program and division budgets.

Budget Development – We had previously noted there were instances where programs are operating at a deficit. The BOCES has addressed this situation by transferring program related costs to other eligible programs that are not operating at a deficit to bring the program to a breakeven point. BOCES noted this is only performed with technology, in which the risk is significantly lower.

Cash Disbursements – Previously we had reported that the Purchasing Manager was able to add new vendors, initiate POs and approve purchases which represented a lack of segregation of BOCES has updated the access in WinCap so the Senior Accounts Clerk is the only one with the ability to establish new vendors.

Operations – Previously, we had reported the BOCES does not have a standardized process for evaluating non-teaching employees during their probationary period. BOCES has since developed procedures for evaluating employees during their probationary period. Due to the COVID 19 pandemic situation we are currently facing, BOCES has not been able to start the formal evaluation process since all employees are working remotely. BOCES intends to start the evaluation process once operations return to normal.

Grants – Previously we had reported the BOCES was not performing a verification for vendors receiving federal funds in excess of $25,000 using the SAMS (System for Awards Management) website. BOCES has confirmed they have access to verify vendors using the SAMS website. They have not had any vendors meet the threshold yet, but they are monitoring vendors to confirm they verify them as needed.

Grants – Previously we had reported the BOCES is not recording an account receivable upon filing requests for reimbursement (vouchers or FS-25s) or drawdowns for grant funded programs. We had recommended that BOCES record an account receivable upon submission of the voucher or FS-25 to ensure grant revenue is reported timely and receivables are tracked and monitored appropriately. BOCES has accepted the risk associated with not recording all accounts receivable for the vouchers and FS-25s. BOCES does create accounts receivable at fiscal year-end for the reimbursements still outstanding and they monitor reimbursements at least quarterly throughout the year.

Human Resources – Previously we had reported the formal performance evaluations of the business office staff are not being performed on a regular basis. BOCES has since implemented procedures to perform formal evaluations of the business office. Due to the COVID 19 pandemic situation we are currently facing, BOCES has not been able to start the formal performance evaluation process since all employees are working remotely. BOCES intends to start the evaluation process once operations return to normal.

Human Resources – Previously, we had reported that the BOCES employee handbook had not been updated since 2009. BOCES has since updated their handbook to reflect any changes that have occurred since 2009. The handbook has been given to the communications department to be branded for Erie 1 BOCES, the final version will be completed by the end of the school year.

General Ledger – Previously we had reported that the Treasurer approves journal entries prepared by the Supervising Account Clerk/ Deputy Treasurer but also had access to enter journal entries in WinCap. Most journal entries are prepared by the Supervising Account Clerk, some of which are reviewed by the Treasurer. The Treasurer occasionally prepares journal entries for entry by the Supervising Account Clerk. A mitigating control for not reviewing every journal entry in place is all cash accounts are reconciled monthly, and most balance sheet accounts are reconciled at least quarterly.

Bank Accounts – Previously, we had reported that BOCES had not contracted local banks to confirm all accounts utilizing the BOCES' EIN. BOCES has since contacted and received responses from 14 financial institutions of all accounts opened under the BOCES' EIN; thus, mitigating the risk associated with maintenance of unauthorized bank accounts.

Backups – BOCES had previously not been testing their backups on a periodic basis to verify that they contain current, complete and accurate information. BOCES has since developed a process for testing backups and does the testing at least annually.

Computer Controls – We had previously noted that BOCES was in the process of having a risk assessment performed of their information technology system by an outside consultant. BOCES is still in process of remediating findings.

Computer Controls – We had previously noted that teachers and/ or students were able to upload programs and software onto computers without permission from IT. That access has since been removed and only IT can upload programs and software onto computers as appropriate.

Access Rights – Previously, we had noted that the Executive Director of Administration and Operations had access to all modules in the WinCap Accounting System. BOCES has since changed the Executive Director's access rights to read only and reporting within the WinCap modules.

RISK ASSESSMENT SUMMARY

Risk Factors>>> (Definitions of the Risk Categories can be found in the Appendix)	Inherent Risk Factors								Control Risk Factors					Current Year Risk Score	Prior Year Risk Score	Current Year Rating	Prior Year Rating
	Ext Mkt Rep	Financial	Operational	Legal/Regulatory	Strategic	Tech/System	People/Culture	Fraud	Monitoring	Info/Communications	Control Activities	Risk Assessment	Control Enviro.				
Budgeting, Governance and Reporting	M	M	M	L	L	M	L	L	S	S	M	M	M	311	388	1	1
State Aid	L	L	L	L	L	L	L	L	S	S	S	S	S	200	200	8	12
Grants	L	M	L	L	L	L	L	L	S	S	S	S	S	212	224	6	6
Centralized Billing and Cash Receipts	L	L	L	L	L	L	L	L	S	S	S	S	S	200	200	9	9
Cash Receipts - Workforce Development	L	L	L	L	L	L	L	L	S	S	S	S	S	200	200	10	10
Purchasing and Cash Disbursements	L	H	L	L	L	L	L	L	S	S	M	S	S	247	260	3	2
Payroll	L	H	M	L	L	L	L	L	S	S	S	S	S	234	237	4	4
Employee Benefits and Paid Time Off	L	M	L	L	L	L	L	L	S	S	S	S	S	212	212	7	8
General Ledger Maintenance	L	L	L	L	L	L	L	L	S	S	S	S	S	200	223	11	7
Wire Transfers	L	L	M	L	L	L	L	L	S	S	M	S	S	233	233	5	5
Fixed Assets	L	L	L	L	L	L	L	L	S	S	S	S	S	200	200	12	11

RISK ASSESSMENT SUMMARY (CONTINUED)

Risk Factors>>> (Definitions of the Risk Categories can be found in the Appendix)	Inherent Risk Factors									Control Risk Factors						Current Year Risk Score	Prior Year Risk Score		Current Year Rating	Prior Year Rating
	Continuance of Business	Communications/Network	Business Units Served	Complexity of Env.	Staffing	Availability/Response	Computing Platform	Information Sensitivity		Monitoring	Info/Communications	Control Activities	Risk Assessment	Control Enviro.						
Information Technology	L	L	L	L	L	L	L	M		M	S	M	S	S		260	260		2	3

The changes in risk scores and risk ratings are not necessarily the result of changes in processes, procedures or overall internal controls. Some of the changes noted are the result of additional information discovered during the risk assessment process.

INTERNAL AUDIT PRIORITIES

◆ Budget, Governance and Reporting - Because of the financial risks poor budget and reporting practices could have on a component district this has been identified as an area of higher risk. We will review the budget, budget amendment process and historical budget to actual data to gain comfort that the budgets developed by the BOCES are reasonable. We will verify budget amendments against service change requests completed and submitted by the component and non-component districts.

◆ Accounting software and information technology – Due to vulnerabilities and new attacker exploits that subject information systems to significant disruption or loss of sensitive and valuable data, this area has been identified as being of higher risk within the BOCES. An internal audit will include a risk assessment of the BOCES various information systems. An internal audit may also include internal and external vulnerability and penetration testing. This area was last tested in December 2019.

◆ Purchasing and Cash Disbursements - Due to the inherent risks associated with purchasing and cash disbursements for BOCES in general this area has been identified as an area of higher risk within the BOCES. We will include selection and testing of cash disbursements throughout the BOCES to verify that the purchases were reasonable and necessary, were properly approved, and there were available appropriations. We will also verify that all BOCES purchasing policies and internal controls have been followed and that the transaction was supported by appropriate bid or quote information. This area was last tested in June 2010.

◆ Payroll - Due to the financial and inherent risks associated with payroll for BOCES in general, this area has been identified high risk within the BOCES. We will test payroll registers for selected employees to verify that employees listed are employed by the BOCES and are paid in accordance with their Collective Bargaining Agreement or contract. We will test hourly employees to verify that the hours paid are supported by time sheets and that the time sheets have been approved by a supervisor and that the employees have been paid the correct rates. This area was last tested in February 2012.

◆ Wire Transfers - Because of the inherent risk associated with unauthorized access to the BOCES' assets, this has been identified as an area of higher risk. We will review documentation supporting the wire transfer, verify the transfer was performed by the appropriate person and that funds were transferred to the appropriate party. We will also confirm with all financial institutions with whom the District has a banking relationship with, all individuals who are authorized to initiate and release funds and individuals who have the authority to establish wire transfers to third parties.

RISK ASSESSMENT

Governance, Budgeting and Reporting

Budgets are started in September and are based on salary projections, cost increases and internal service charges (O&M). This information is used to develop program prices for the Directory of BOCES' services that is released in late December/early January for the following fiscal year. Component Unit Districts are required to submit on-line participation estimates through WinCapWeb no later than March 1st for preparation of the BOCES' Budget Book. The Districts then have until May 1st to finalize their budget for BOCES services for the following fiscal year. Once the May 1 budget is finalized, each division is responsible for establishing the detailed COSER budget in the WinCap budget development sub-system. At this point the BOCES prepares their AS-7 which is filed with the State Education Department.

Conservative budgets generally involve an over-estimation of expenditures for administering the programs and services to ensure all costs are covered. The budget is presented, modified and eventually approved by management and the BOCES Board of Education. BOCES' administrative budget is also approved by the component school districts. The budget outlines the financial goals and objectives of the BOCES for the year.

The BOCES revenue budget is based on billings to the component and non-component school districts for the services they have requested. Budgeted revenues equal budgeted expenditures, with overhead costs billed to the Districts based on the Resident Weighted Average Daily Attendance (RWADA) provided by the State Education Department.

Districts may modify the services purchased from the BOCES upon filing change orders **after July 1st**. Change orders must be signed by the participant District Superintendent. The Senior Account Clerk processes all budget amendments and budget transfers upon approval of the Division Director.

The baseline budget will be adjusted throughout the year as participant districts modify their student counts and participation levels for various programs. Actual results are compared to the approved budget by management on a regular basis. The District's monitor the BOCES activities through the BOCES' billings to the Districts. On a monthly basis, the Board reviews the budget increases and decreases and reviews all budget transfers in excess of $20,000. If there are excess revenues at the end of the year, BOCES will return these amounts to the participating school districts. These refunds have been fairly consistent in previous years.

On a monthly basis, the Board receives a treasurer's report, a summary of service level change orders by division and all budget amendments in excess of $20,000.

Board policies govern the operations of the BOCES. Policies are reviewed routinely and updated as deemed necessary. The Board recently completed a policy review. Key employee policies are made available on-line for employees to review, with an electronic acknowledgement required annually. Staff are required to electronically acknowledge that they have read and understand the policies.

State Aid

Any aid BOCES receives must be paid to each participating school district based on their level of participation within the various programs the previous fiscal year (except for rental and capital expenditures which are aided on a current basis). This is known as District Shared Services Aid. Expenditure data from the WinCap system is downloaded into the State Education Department's Data Entry Assistant (DEA) system by the **Business Official** ~~School Business Administrator or the Treasurer~~. This information is used to generate the BOCES state aid payments that are subsequently forwarded to the districts. This information is reviewed and verified by the ~~School~~ Business **Official**. State aid is received in February, June, and September; and is typically remitted to the component school districts within thirty days of receipt, based on allocations provided by SED.

The **Business Official** ~~School Business Administrator or the Treasurer~~ monitors expenditures by district and reconciles this information to the state aid by district as reported by SED to ensure the information is accurate.

GRANTS

Each division is responsible for initiating their grant requests (FS-10's) through SED. Grant budgets are forwarded to department supervisors for approval. Once approved by the Program Director, it is submitted to SED for approval. Budgets for long standing grants are entered into WinCap upon submission to SED; budgets for others are entered upon approval by SED.

Program Directors have access to WinCap appropriation and budget status reports and are responsible for monitoring program revenues and expenses. Voucher requests for the state grants and draw down requests for entitlement (federal) grants are prepared by the Senior Account Clerk. For federal grants, the Senior Account Clerk prepares the FS-10-F based upon final expenditures and the budget, as amended, approved by SED. The Treasurer reviews the FS-10-F for accuracy, prior to being sent to the District Superintendent for signature. For reimbursable grants, the division prepares vouchers (reimbursement requests). The Senior Account Clerk will reconcile the voucher to actual expenditures and notify the Division that the voucher can be submitted. Vouchers are generally filed quarterly.

Employees paid with grant funding are required to complete payroll certifications. Each division director (in charge of grant) is responsible for follow-up to ensure that all time/ payroll certifications are being completed as required.

Program directors/coordinators appear to be competent and understand grant objectives, perform evaluations of program operations and monitor results on a monthly basis.

Billing and Cash Receipts

Upon completion of the BOCES budget and filing the AS-7 with SED, AS-7 contracts are provided by the BOCES to each component school district. AS-7 contracts are required to be signed and returned to the BOCES no later than August 1st.

Any changes to services are required to be signed by the Superintendent of the respective school district and are processed as change orders by the Senior Account Clerk for Contract Billing.

Each District is billed on either a 10- or 12-month cycle for services provided based on their contracts. Billings are dependent upon the type of service provided and are based on usage (billed throughout the contract period), per student, per district, per square footage, or other approved method. Invoices are generated from WinCap and mailed to the School Districts by the Senior Account Clerk for Contract Billing. At the end of the year, a Final AS-7 contract is sent by the Senior Account Clerk for contract billing to the Districts and BOCES stating the total services bought from Erie 1 BOCES during the fiscal year. These are reviewed and verified by each District. Any District questions are handled by the ~~School~~ Business **Official** ~~Administrator~~ or the Treasurer. The Senior Account Clerk for Accounts Receivable sends out statements on all overdue receivable balances on a monthly basis.

The most significant cash receipts are received by check (district payments) or wire transfer (state aid). Cash receipts for contracted services are received primarily at a JP Morgan Chase lockbox. The bank will deposit the checks and provide online availability to copies of the checks and supporting documentation, the bank deposit receipt, and a listing of all checks deposited to the BOCES on a daily basis. The Senior Account Clerk matches the receipt to the supporting documentation and enters the receipt into the WinCap system. Daily, the Senior Account Clerk accesses the daily lockbox receipts online, prints the payment summary and supporting detail, and posts the cash receipt. There is a negligible amount of physical cash received by the BOCES.

All other checks and cash received at the BOCES are received by Finance Department's Senior Account Clerk. The Senior Account Clerk recounts the cash receipt, determines the revenue account the receipt should be posted to, and prepares the bank deposit slip. The cash, checks, and bank deposit slip are then forwarded to the Supervising Account Clerk/ Deputy Treasurer who delivers the deposit to the bank. The bank receipts are given to the Senior Account Clerk who matches the receipt to the supporting documentation verified the bank receipt against the receipt in the WinCap system.

For JP Morgan Chase, the BOCES utilizes a check scanning machine to deposit checks into the bank. All other deposits are taken to the appropriate bank. Written receipts are provided to payers only when requested.

The Treasurer's office distributes prenumbered, triplicate cash receipts, which are to be used as follows:
        Original – given to customer
        Second copy – forwarded to Finance with the cash deposit
        Third copy – maintained by department

The Senior Account Clerk in Finance maintains an Excel spreadsheet for each location, ensures that a receipt is received for cash deposited, and follows up with departments as to why a receipt number is missing.

Effective January 1, 2019, Erie 1 BOCES implemented Direct Pay for retiree health and dental payments. Approximately **105** 85 (45% of all retirees) retirees enrolled in Direct Pay, which authorizes Erie 1 BOCES to debit retiree bank accounts monthly for health and dental insurance premiums. WinCap creates an automated cash receipt for the retiree invoice processed via Direct Pay.

The Senior Account Clerk prepares the bills for the retiree health and dental insurance. Direct Pay **and Non-Direct Pay** invoices are generated monthly ~~and non-Direct Pay invoices are generally have been processed for three months at a time~~. Receivables are established in WinCap for non-Direct Pay upon invoicing. Direct Pay invoices and cash receipts are generated simultaneously; thus, no receivable is created. Retiree health and dental insurance payments are mailed to a separate lockbox at JP Morgan Chase. The Senior Account Clerk records the payments received into WinCap against the receivable record. The Senior Account Clerk monitors the receivables and sends out late notices as deemed necessary.

The Treasurer has been given the authority to write off uncollectible receivables, although this rarely occurs, and the amounts are generally minor.

Revenue and expenditures are monitored on a consistent basis by Management and the Board.

CASH RECEIPTS - WORKFORCE DEVELOPMENT

BOCES actively posts all current Workforce Development programs offered to the Erie 1 BOCES website. The Adult Workforce Development ~~(department of career development) sends out brochures of all current programs twice a year, fall and winter/spring. The brochures go to individuals on the department's mail list, businesses, community centers, students, etc~~. offers approximately 50 courses. **The part time programs have online registration. An interested student can create a login and register and pay online for the courses they are interested in. The Workforce Development Program Office is notified by email that a registration has taken place. The tuition is then directly deposited in the Erie 1 BOCES M&T credit card bank account. When deposits are turned into accounting, a copy of the registration and dollar amount is included in the deposit for Workforce Development.** Although most student registration is done online, students can register for Workforce Development classes by mail or in person and pay by check, cash or credit card. The fees for books, supplies, and materials are included in the registration fees. Registration payments are collected by any one of the four secretaries in the Workforce Development office.

Registration information and cash receipts for registrations and class books are then forwarded to another secretary who enters the registration information into the Xen-Direct system and produces a receipt which is provided to the payee. A daily financial deposit report is printed from Xen-Direct showing the cash and other forms of payments made and verified against the payments received (checks, cash and credit cards). The Workforce Development Senior Account Clerk prepares the deposit ticket and secures any cash or checks received in a tamper resistant bank bag. Workforce Development also makes up a Cash Receipt Entry Sheet which gives a breakdown of the deposit by budget code and where it should be posted based on the programs for which payments are received. The Deputy Treasurer takes the sealed deposit bag to the bank.

The Xen-Direct system also produces class lists for the instructors. Registrations and payments are not accepted by instructors.

Refunds are approved by the **Director** ~~Supervisor~~ for Workforce Development, entered into Xen-Direct by one of the secretaries and processed by the Accounts Payable Department for cash or check payments or by the Workforce Development Office for credit card payments.

Cash receipts in the vocational education classes for cosmetology ~~and spa~~ services are manually receipted by the students. The cash received and a copy of the receipt is then submitted to the instructor. The instructor then verifies the revenue received against the receipts and forwards the daily cash receipts to the main office where it is counted again. The cash receipts are then forwarded to the Senior Account Clerk in the Finance Office and follows the same cash receipt and deposit process noted above. During 2017/2018, the Treasurer's office distributed prenumbered, triplicate cash receipts, which are to be used as follows:

    Original – given to customer
    Second copy – forwarded to Finance with the cash deposit
    Third copy – maintained by department

The Senior Account Clerk in Finance maintains an Excel spreadsheet for each location, ensures that a receipt is received for cash deposited, and follows up with departments as to why a receipt number is missing.

All bank deposits are made by the Supervising Account Clerk/Deputy Treasurer.

PURCHASING AND CASH DISBURSEMENTS

BOCES will bid out purchases in accordance with General Municipal Law bidding requirements. Each year, BOCES issues approximately 16 cooperative bids and 25 BOCES specific bids. Technology generally use state contracts; however, they may use the formal bidding process, if deemed in the best interest of BOCES. There are 18 instructional supply bids. Also, BOCES issues "one-time" bids and RFP's to meet the internal needs of BOCES and WNYRIC. The Purchasing Manager is responsible for preparing and receiving the bids. The Senior Account Clerk will enter all applicable bids into WinCap. An evaluation team will review the information (bid specifications) and decide on whether to utilize the lowest bid or best value. New vendors are entered into WinCap by the **Senior Account Clerk** ~~Purchasing Manager~~.

Vendors are ultimately approved by the Board and provided to all BOCES departments. The BOCES has also adopted policies for obtaining vendor quotes for purchases in excess of $1,000 but below bid thresholds.

Purchase requisitions are entered into WinCap by the Building/ Department Clerks and approved online by the Department Supervisor/ Director. The Senior Account Clerk in Purchasing reviews the requisition for bid numbers, all required documentation, etc. The request must also be approved by the Purchasing Manager, who ensures the purchase is reasonable and necessary and accompanied by appropriate quote and bid information. A purchase order can be processed and cause the budget to be negative due to the changing nature of the services BOCES provides. This is allowed and monitored by the Business **Official** ~~Administrator~~. The excess will be billed to the districts or future costs will be reduced. The Business **Official** ~~Administrator~~ generates a surplus report to determine if any program/ CoSer is running negative starting in November/ December. If negative, divisions will need to cut costs to ensure that programs are "breaking even". Budget transfers must subsequently be approved by a Director.

Once the requisition is approved by the Purchasing Manager or Business **Official** ~~Administrator~~ online, a Purchasing Clerk will print the purchase order (PO). Copies of the PO are forwarded to the requisitioning secretary, the central warehouse, Accounts Payable Department and mailed to the vendor.

Once a receiving copy of the purchase order and the invoice are received by the Accounts Payable Department, the payment will be processed by an Accounts Payable Clerk in the WinCap system. The Accounts Payable Clerks will print a preliminary warrant on a daily basis and forward the vouchers to the Internal Claims Auditor. The Internal Claims Auditor (now a contracted service through the CBO's Policy & Services CoSer) audits all claims of the BOCES.

The BOCES can also process payments through M&T Supplier Pay Accounts whereby vendors are paid via an electronic transfer instead of by check. Approximately 120 vendors are paid through this process. All such payments are on a separate warrant each payment cycle.

The Internal Claims Auditor audits the voucher packets against the preliminary warrant. Once the voucher package is approved by the Claims Auditor, the voucher packets are returned to the accounts payable department for processing and the checks are printed. The Internal Claims Auditor will sign the final warrant and return it to the Accounts Payable Department.

Once the Claims Auditor has reviewed and signed the final warrant the checks are mailed to the vendors.

Cash disbursements are processed by the Accounts Payable Clerk twice a month. Blank check stock is readily available, and the Treasurer's and Supervising Account Clerk/ Deputy Treasurer's signatures are stored electronically in WinCap. The Treasurer or Supervising Account Clerk/ Deputy Treasurer needs to input a password to access the signature and process the checks.

~~The Purchasing Manager can establish new vendors.~~ **New vendors are entered into WinCap by the Senior Account Clerk after being reviewed by the Business Official.**

BOCES has three credit cards which are kept in the building at all times. The cards are maintained in a secure location by the authorized signers on the cards: ~~Executive Director of Finance & Information Systems, Executive~~ Director of Human Resources, **Purchasing Manager,** and the ~~School~~ Business **Official** ~~Administrator~~. There are different card numbers, but they are on the same statement. The credit cards are generally not used for travel, conferences or meals. Receipts are required for all credit card purchases listed on the statement.

Expenditures are compared to the budget by management on a regular basis.

The Claims Auditor's report is presented to the Audit Committee by the **Director of Management Services, or designee,** ~~Business Administrator and the Claims Auditor~~ meets personally with the Audit Committee at least annually.

PAYROLL

All salaries, hourly rates and additional pays are established by respective contracts which are approved by the Board. Once new employees have been set up in WinCap by the Human Resources Department, the employee is "activated" by the Payroll Department. Employee data files are updated daily for employee additions, deletions, changes to withholdings, salary, etc. by the Human Resources Department. The Payroll Department cannot update or modify employee data files other than employee withholdings. The maintenance of employee data files is routine and appear to be maintained by experienced employees. The most significant updates occur when annual contract salaries are updated. The Human Resources Department establishes all salary tables in WinCap. The Human Resources Clerk will review all salaries, by individual, to ensure the salaries for the ensuing year are accurate. The Payroll Clerk spot checks a sample of employees and adds pay frequencies. Payroll deductions are updated by the Payroll Clerk, and federal and state withholding tables are updated annually by Harris Computer Systems. The standard payroll deductions are then reviewed by the Treasurer. Salary notices are generated from WinCap and sent to all employees annually. The salary notices are reviewed and signed by the Director of Human Resources. The employee is not required to sign and return the notice, **but they do electronically acknowledge the notice via WinCap WEB**.

Payroll processing includes processing all contract salaried employees, hourly employees and all payroll claim forms. Every department/division prepares an ~~attendance~~ **payroll** summary, which is signed by the department supervisor, and is forwarded to the **Senior Account** ~~Payroll~~ Clerk. The Senior Account Clerk enters certain timesheet employees (teacher aides, workforce development, and some employees paid on a 2-week lag) and the Payroll Clerk enters information for all other employees (contractual and hourly-annualized). The Clerks compare the time sheets to the attendance summary and processes the payroll. All union employees are paid via direct deposit and employees must go online to review their direct deposit remittance. Checks are printed for only non-union employees. The Payroll Clerk transmits the direct deposit and distributes/mail checks to the appropriate departments or employees. Processing is routine but the data entry of employee hours and payroll claim forms is labor intensive. Edit reports are reviewed prior to payroll processing for any unusual data. The Director of Human Resources reviews and certifies all payroll registers and also reviews and sign off on the Employee Record Changes Report monthly.

EMPLOYEE BENEFITS AND PAID TIME OFF

Paid Time Off:
Paid time off (PTO) benefits are provided for in employment contracts and are well documented, monitored, and managed. Time off requests are submitted electronically through the BOCES' intranet using the e-form system. All time off requests are reviewed and approved by a supervisor. For sick days, employee emails or calls their supervisor. Sick day information is entered into e-form by the respective Attendance Clerk from their WinCap attendance summary/calendar. The Attendance Clerks will ensure an e-form is submitted for all absences per their attendance logs/sign in sheets. This information is reviewed weekly by the Human Resource Department and balanced to the attendance information maintained by the building Attendance Clerks. Once verified and balanced, the time off information is downloaded into WinCap for processing.

Throughout the year, the Attendance Clerks in each division monitor the attendance and communicate with the Human Resources Department any concerns or issues. Time off information is available to all employees and supervisors at any time through the WinCap Web system. A final reconciliation of available time off information is performed by the Attendance Clerks in July with the individual employees.

Health Insurance:

Other employee benefits consist of health, dental, vision and prescription coverage through the NY 44 Health Benefits Plan Trust with Independent Health as the third-party administrator. Dental coverage is also offered **to all employees at the same contribution rate.** ~~but is optional~~. A new employee and employees requesting any changes must complete an application, which is reviewed and approved by the Human Resources Department and forwarded electronically to the Health Benefits Plan Trust who forwards it to Independent Health. The original application is kept on file at BOCES. The Human Resources Benefit Clerk receives a copy of the application and will input the changes into WinCap.

The health insurance invoice received from the Trust is reconciled for payment by an HR Account Clerk; who maintains a spreadsheet reconciling the employee withholding, the health insurance and the Trust Database. Once reconciled, the HR Account Clerk approves the invoice for payment COBRA coverage for health and dental insurance is invoiced by a Third-Party Administrator, NOVA for health benefits and by ProBenefits for dental coverage.

Retiree Health Insurance:

There are approximately 150-200 retirees for whom the retiree is billed by the BOCES for health insurance coverage. Retirees are billed in advance by the BOCES for the retiree's health insurance. Accumulated sick days can be applied towards health insurance credits at the time of retirement and be used to pay retiree health insurance premiums. Accumulated sick days available for health insurance are monitored by the Human Resource Coordinator. At the time of retirement, the Human Resources **staff** ~~Data Processing Clerk~~ calculates benefit available to the retiree and sends them a letter of the benefits available to them which is reviewed and approved by the HR Coordinator and Supervising Account Clerk. The HR Data Processing Clerk maintains a file that details each retiree's sick day credits available to pay the retiree's health insurance until the credits are exhausted. Only two retirees- both former Superintendents, are receiving lifetime health care coverage paid 100% by BOCES.

403(b) and 457 Deferred Compensation Plan:

Employees have the option of contributing to a 403(b) or a 457 Deferred Compensation Plan, depending on their contract and position. Plans are administered by the OMNI Group. The employee completes an application on-line including the percentage they want withdrawn every paycheck. Once OMNI receives the application, they will input the employee's information into their system and send an OMNI Changes/ Approved Report or confirmation to the Payroll Clerk, listing the effective date, employee name and social security number, fund name, percentage of salary to be deducted, and the maximum amount they are allowed to contribute for the year. The Payroll Clerk will input the information into WinCap to begin the deductions.

After every payroll, a detailed 403b and 457 Deduction Report is generated from WinCap indicating the amount withheld from employee's paycheck. The Payroll Clerk agrees the detailed report to the WinCap Payroll Deduction Report to ensure they agree. Once they agree, the detailed report is sent to OMNI through a secure website. The Supervising Account Clerk/ Deputy Treasurer will complete an ACH

withdrawal from the BOCES bank account for the amount shown on the report and remit the funds to OMNI and the Treasurer will release the wire. The Supervising Account Clerk/ Deputy Treasurer will print a copy of the wire and subsequently verify the transfer against the bank statement.

Flex Spending:
The District offers flexible spending accounts for dependent care and health care expenses. The plan is administered by Benefit Resources who monitors contributions, claims, and payouts. Employee contributions towards their flex spending account are transferred into the BOCES' flex spending general ledger account every pay period. Once a claim is received and verified, Benefit Resource will complete an ACH withdrawal from the BOCES' trust and agency account. The Treasurer reconciles the flexible spending account detail to the general ledger periodically.

ERS and TRS:
Employees complete an application to participate in the Employee Retirement System (ERS) or the Teacher Retirement System (TRS) and forward to the Human Resources Department. The Human Resources Department will send the applications to ERS or TRS and will receive a notification as to when the payroll deductions can begin. Once the information has been input to WinCap, monthly reports are sent to ERS/TRS of employee contributions. ERS will complete an electronic withdrawal from the BOCES bank account on a monthly basis for the employee's contributions and then invoices the BOCES at the end of the fiscal year for the BOCES' portion of contributions for the year. TRS will subtract the employee's and the BOCES' portion of the contributions from state aid received throughout the year.

GENERAL LEDGER MAINTENANCE

General ledger reporting activities are fairly simple and routine. Only the Treasurer and Supervising Account Clerk/ Deputy Treasurer have access to the general ledger module. General ledger operations are monitored through the reporting process. General journal entries are prepared primarily by the Supervising Account Clerk/ Deputy Treasurer. Actual results are compared to the approved budget by management on a regular basis. Common journal entries would include due to/from, year-end adjustments, wire transfers, RAN payments, etc.

Bank reconciliations are prepared by the Senior Account Clerk and Supervising Account Clerk/ Deputy Treasurer and are reviewed by the Treasurer. The Treasurer's Reports are by the Treasurer prior to being filed with the Board. **All cash accounts are reconciled with the bank reconciliations on a monthly basis. Balance sheet account reconciliations are also performed on at least a quarterly basis.**

Accounting periods are closed within 30 days of month end.

The only approved signatures for checks are the Treasurer and Supervising Account Clerk/ Deputy Treasurer, each accessible online and password protected. Checks only require one signature.

The Senior Account Clerk and the Payroll Clerk use their passwords to get into WinCap to print checks, but the Treasurer or Supervising Account Clerk/ Deputy Treasurer must input their password for the Clerks to be able to access the signature file.

Only budget transfers in excess of $20,000 must be approved by the Board. Transfers are requested and must be approved by respective division Directors. They are then sent to the Senior Account Clerk who ensures that the transfer is within the same COSER. The Senior Account Clerk maintains a log of all transfer requests and assigns them a number. Transfers are entered into WinCap by the Senior Account Clerk. The Principal Clerk prepares a monthly report of all budget increases and decreases regardless of dollar amount for the Board to review, along with any budget transfer requests exceeding $20,000 that the Board must act upon.

WIRE TRANSFERS

The Supervising Account Clerk/ Deputy Treasurer will provide the Treasurer with a report of the wire transfers that are needed. The Supervising Account Clerk/ Deputy Treasurer prepares the wire transfer form and initiates the wire transfer online with the bank. The Treasurer then goes online and releases the wire. Once the transfer is complete, the Treasurer will receive confirmation from the bank that the transfer was completed. This confirmation is maintained in a log with supporting documentation of the wire.

The BOCES has a debit block on their Chase accounts restricting which entities are allowed to withdraw from their account. The only transfers outside of the BOCES accounts are OMNI payments, Benefit Resources, and Federal and State withholding. The Supervising Account Clerk/ Deputy Treasurer prepares the wire transfer form and initiates the wire transfer on-line with Chase. The Treasurer then goes online and releases the wire.

All transfers require secure passwords, and only the Supervising Account Clerk/ Deputy Treasurer, Treasurer, and the **School** Business **Official** ~~Administrator~~ have passwords to initiate or release wire transfers with the banks.

FIXED ASSETS

The BOCES implemented the RAMI Asset Management System in the fall of 2010 and uses the system to maintain and track its fixed asset inventory. The BOCES Regional Information Center (RIC) purchases technology assets that are leased to school districts through a CoSer service. All fixed assets are shipped first to the BOCES warehouse where they are entered into the RAMI system and tagged with an inventory tag. When the assets are shipped to the districts from the BOCES a warehouse asset tag and tracking sheet is also forwarded to the district. In some instances, BOCES cannot affix the tag themselves since the asset is in a sealed box. In such instances the district is instructed to affix the tag. Under the BOCES' inventory procedures, districts receiving these assets are sent, and required to return, an asset tracking sheet to the BOCES indicating the assets' location at the district. All BOCES owned equipment should have a BOCES tag

For technology assets located in other districts, BOCES has been working with the districts to confirm location of the equipment and ensure that the inventory is consistent with BOCES records. The Technology Services Division has developed inventory control procedures including notification of individual districts of their responsibilities regarding proper handling, recording, and disposal of BOCES owned equipment. BOCES will periodically inventory assets at 5 or 6 districts that have technology equipment owned by BOCES. The Internal Claims Auditor will select 10 items from each district and a tech person from that school will go out and physically verify that the equipment is on location.

Asset additions are made based on assets purchased through the .200 general ledger codes. A Fixed Asset Inventory Entry Form is completed for all non-technology equipment greater than $200 that is required to be tagged. The inventory system is updated annually at the end of the fiscal year. The BOCES is also tracking and monitoring buildings and grounds and career development equipment. This equipment is tagged, tracked, and inventoried once a year to ensure items are not misappropriated or lost.

In calendar year 2018, the main administrative office building and three career centers were re-inventoried. For technology equipment located in other districts, BOCES confirms the location of the equipment and ensures that the inventory is consistent with District records. BOCES has completed 80% of the inventories in the 100 Districts at this time.

The BOCES utilizes a Service Now Ticket system to identify equipment transfers and equipment deemed surplus.

Periodic equipment inventories are scheduled to be conducted, with each district inventoried at least once every five years.

Information Technology

The software system, WinCap, is designed specifically for school districts and BOCES and appears to be a strong accounting tool. WinCap is supported by the vendor. The BOCES also uses RAMI Fixed Asset Management System for fixed assets inventory purposes, WinCap Web for online paystubs and Xen-Direct for Workforce Development courses. Most employees appear to be adequately trained on the systems and vendor support is available when needed. Supervisors are required to complete network access request forms through the Erie 1 BOCES e-form system for all new employees and changes to access rights. An employee's access in WinCap is determined by their position/ duties within BOCES. The Supervising Account Clerk approves all access change requests.

The BOCES active directory is password protected and network passwords are required to be changed every 2 to 6 months (60 to 180 days). The network locks the user out after three unsuccessful login attempts and users are logged off after 30 minutes of inactivity.

WinCap passwords are required to change every 6 months (180 days) and locks the user out after five unsuccessful login attempts.

The Senior Account Clerk and the Business **Official** ~~Administrator~~ are the WinCap System Security Managers.

WinCap is a networked system within the Finance Department and all Finance Department employees having access to various modules of the system. Remote access is available, allowing staff ability to access email and shared folders and files. ~~Only the Business Administrator~~ **Due to the COVID 19 pandemic that is currently occurring (starting March 2020), all appropriate business staff** have **been granted** remote access to WinCap **via a VPN**. **The BOCES does allow remote access to its internal network, Active Directory along with providing remote access to the district's IT managers. The remote access requires a request and approval. All remote access is authorized through Active Directory. Each type of remote access is controlled by a separate Active Directory Security Group.**

BOCES performs a daily backup of the WinCap system which is stored off-site. Harris Computers performs a weekly back-up of the WinCap system. **Backups are tested on an annual basis to confirm they are complete, accurate, and current. Backups are completed using Tivoli Storage Manager and Veem for storage.**

All employees are required to sign an Acceptable Use Policy every year.

Physical access to server rooms is controlled by key card access with the server rooms are included within a disaster recovery plan, including priority power and telecommunication restoration and a back-up generator.

INTERNAL AUDIT PLAN

The Internal Audit Plan summarized below, illustrates the detailed yearly plan estimated to complete the Internal Audit Strategy outlined in the *Business Area Risk Assessment and Internal Audit Strategy* section of this report.

The shaded areas denote the internal audits that were performed during the years 2013 through 2019. There were no internal audits performed in 2020, 2018, 2017, 2015 or 2014.

Business Area	2013	2016	2019	2021	2022	2023
Lines of Business						
Governance, Budgeting and Reporting				X		
State Aid						
Grants						
Centralized Billing and Cash Receipts						
Cash Receipts – Workforce Development						
Purchasing and Cash Disbursements						X
Payroll						
Employee Benefits and Paid Time Off						
General Ledger Maintenance						
Human Resources and Separation Payments		X				
Wire Transfers						
Fixed Assets	X					
Information Technology						
Information Technology			X		X	

The above schedule represents the BOCES' three-year internal audit plan based on the risk assessment results identified in this report with only one internal audit performed each year. The BOCES is required to perform a reassessment of risk on an annual basis. The results of the annual reassessment will be the basis for identifying internal audit priorities and determining the internal audit plan in future years.

Trust earned.

FreedMaxickCPAs,P.C.

APPENDIX - RISK CATEGORY DEFINITIONS

INHERENT RISKS

EXTERNAL/MARKET REPUTATION

Negative Publicity – The risk of public disclosure of operations will negatively influence public perception that impacts the BOCES' ability to pass a budget and meet its strategic objectives.

FINANCIAL

Achieving Financial Goals – The risk that the BOCES will be unable to meet their financial goals and be pressured by the Board or management to take unwise or inappropriate actions to report results which meet market expectations.
Materiality – The risk that any financial reporting activity will misrepresent results by an amount that would reasonably change voter or other external third-party assessments of the BOCES' performance.
Volatility – The risk that financial reporting will be inaccurate, incomplete or untimely.
Use of Significant Estimates – The risk that financial reporting activity will misrepresent actual business results due to heavy reliance on estimates, accruals, adjustments or reserves that are subjective and difficult to accurately quantify and/or associate with the occurrence of business events.

OPERATIONAL

Inefficient/Ineffective Internal Controls – The risk of inadequate or poorly designed internal controls and accountability.
Employee Error – The risk of unintentional errors by employees due to a lack of competence or training or unfamiliarity with policies and procedures.
Inappropriate Data Usage – The risk of the misuse of sensitive or confidential information by employees or other outside parties.
Non-Routine/Complex Transactions – The risk that incorrect or inconsistent handling of infrequent or complex activities could cause inconsistent financial reporting.
Compliance with Policies and Procedures – The risk that staff responsible for executing business activities will fail to comply with the BOCES' policies and procedures, whether due to lack of training, failures of communication or mindful disregard.

LEGAL/REGULATORY

Legal and Economic Impacts – The risk of direct or indirect impact on activities from changes in the regulatory environment.

Unresponsive to Legal/Regulatory/Compliance Changes – The risk that BOCES is unaware of or does not respond to changes in laws and regulations to ensure compliance.

Litigation Issues – Lawsuits can result in expensive settlements, litigation costs and corrective action (e.g. employee/customer litigation, contract/fiduciary liability, etc.).

STRATEGIC

Insufficient or Inadequate Strategic Planning – The risk that an inefficient and ineffective strategic planning process, including poor assumptions, results in the BOCES' inability to meet their goals and objectives.

Lack of Appropriate Governance – The risk that senior management or Board members commit actions that are detrimental to voter's' interests, including misrepresenting the BOCES' intentions or business results.

People or Key Resources – The risk that barriers (e.g. high turnover, inexperienced staff/skill limitations, excessive reliance on a key staff member, insufficient staffing/resources, etc.) can increase business risk impact and likelihood of its occurrence.

Organization Reputation – The risk that the BOCES' reputation could be exposed based on lack of voter satisfaction with services, or ability to provide new and innovative educational programs; negative public reaction due to identified regulatory, compliance or legal issues.

TECHNOLOGY/SYSTEMS

Lack of Information Integrity – The risks associated with the authorization, completeness, timeliness and accuracy of transactions/data as they are entered into, processed and reported by various systems.

Lack of Timely, Reliable, and Relevant Information for Decision Making – The risk that relevant internal and external information necessary for decision making is not available on a timely basis and/or is unreliable.

Inadequate Data Security and Access – The risk of not adequately restricting access to and protecting information.

Sensitivity of Data – The risk that the BOCES will divulge, inappropriately use or fail to control student or employee data which is confidential or private.

PEOPLE/CULTURE

Lack of Clear Roles and Responsibilities – The risk that roles and responsibilities are not clearly defined, communicated, and understood by employees.

Deficient Values, Integrity, and Ethics – The risk of an employee breach of BOCES values and Code of Conduct standards related to integrity, ethics and discrimination.

Inappropriate Performance Incentives – The risk of either insufficient performance incentives or incentives that are unrealistic or misunderstood causing employees to act in an inappropriate manner.

FRAUD

Misappropriation of Assets – The risk that the BOCES engages in external and/or internal schemes, such as embezzlement, payroll fraud and theft.

Misconduct/Abuse – The risk that transactions or activities could be susceptible to management override (e.g. conflicts of interest, code of ethics violations, etc.). BOCES could be directly or indirectly involved in monitoring and identifying misconduct and/or abuse.

External Crime – The risk that activities could be exposed to external theft and destruction (e.g. robbery, asset/information theft, etc.). BOCES could be directly or indirectly involved in monitoring and identifying external crime.

External Fraud – The risk that transactions and activities could be exposed to external fraud (e.g. check frauds and kiting). BOCES could be directly or indirectly involved in monitoring and identifying external fraud.

COSO CONTROL RISKS

Monitoring – This category includes identifying a mechanism or process to assess internal controls on an ongoing basis to ensure that changes are incorporated effectively.

Information and Communication – This category includes the assessment of the technology environment and includes an assessment of the reporting internally and externally. The internal communication to manage the business on a daily basis is assessed to determine the effectiveness and reliability of the financial information that is used.

Control Activities – These controls are at the process level and include preventive and detective controls. The assessment for control activities requires a selection of key processes and a review of the transaction flow to identify and test the critical controls to determine the effectiveness.

Risk Assessment – These controls are the overall management and strategic planning methods that are in place. The process for strategic planning for the BOCES and each department and how the plan is executed during the year is the subject of this review. Material changes in the legislation or regulations and the process that management performs to execute a transaction will be assessed.

Control Environment – The controls in this category include integrity/ethical values, code of conduct, disciplinary action, structure of organization, involvement of the Board of Education, human resources and other actions that control the tone of the organization.