



## **Poughkeepsie City School District Risk Assessment Report**

**Fulfilling the State mandate for the year ending June 30, 2017**

# Poughkeepsie City School District

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**TOBIN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS, PC

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To the Board of Education  
Poughkeepsie City School District  
Poughkeepsie, New York

We have performed our Risk Assessment, as agreed to by the Poughkeepsie City School District (the District) for the year ended June 30, 2017. The purpose of this engagement is to ensure compliance with applicable New York State laws and regulations under the Fiscal Accountability Initiative.

This agreed upon procedure was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. These procedures, which consisted of interviews with key personnel and examination of system documents, were intended to assign risk scores and levels to major functional areas of the District.

We were not engaged to, and did not perform an external audit, the objective of which would be the expression of an opinion on the financial statements of the District. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Tobin & Company*  
*Certified Public Accountants, PC*

Purchase, New York  
August 30, 2017

During our review we noted both internal controls procedures which are present and some that need to be implemented to improve the District's internal control systems. The most significant changes since the last risk assessment were employee turnover in six key Business Office positions: Assistant Superintendent for Business, Director of Human Resources, Accountant, the Purchasing Agent, Director of Buildings and Grounds, and the Payroll Clerk. While employee change can bring a fresh pair of eyes that could identify weaknesses or deficiencies in processes, it can also disrupt previous protocol. Below is a list summarizing our findings:

### Summary of newly noted areas for potential improvement:

- 1) The District does not have a backup generator.
- 2) The District does not utilize BOCES as an additional offsite backup.
- 3) Assets are not tagged by the District immediately after being purchased.
- 4) The Extraclassroom Treasurer does not meet with Extraclassroom Advisors at the beginning of each school year.
- 5) The District's Extraclassroom SWAG program collects funds by fundraising activities. However, payments are being made from both the general fund and the SWAG bank account.
- 6) The District does not have an experienced payroll clerk.

### Summary of areas for potential improvement noted in previous reports:

- 1) The District does not currently perform live payroll distributions.
- 2) The District does not currently perform an independent check against social security death master list of the list for health insurance benefits.
- 3) Therapists submit hourly time sheets to the District. There is no independent verification that the hours are accurate.
- 4) The District has no consistent controls and procedures concerning extra classroom activities.
- 5) Keys needed to unlock fuel pumps are left unattended outside of the office door of the Director of Transportation. The clipboard used to log all fuel activity is also left unattended.
- 6) The District does not currently request copies of insurance certificates for vendor owned vehicles or copies of fingerprint clearance for drivers hired by the contracted vendors.
- 7) Unclaimed payroll checks are being sent back to the Payroll department.
- 8) There is no formal list or database used to track what tools and equipment the District currently has on hand.
- 9) The Transportation Department does not currently reconcile mileage on District Vehicle odometers and fuel pump usage with the log used to record all activity.
- 10) All purchases should be reviewed and approved by purchasing agent using purchase orders.
- 11) The payroll clerk has the ability to add new employees into Finance Manager. They also have access to edit their own information.
- 12) Check registers are being reviewed only after checks have been printed.
- 13) The Accounts Payable department can issue a payment straight to the vendor without issuing a purchase order.
- 14) The District is still using QuickBooks for Extra Classroom Activities.
- 15) The District does not currently enforce password changes on a regular basis.
- 16) The Information Technology Department does not have a work order system.

# Poughkeepsie City School District

## Risk Assessment Overview

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At the request of the Board of Education of the Poughkeepsie City School District "the District" we have performed a Risk Assessment of the District's operations. Our assessment includes an analysis of business procedures and activities. The risk assessment considered qualitative, quantitative, technological, and human elements of the District's operations.

During our engagement we performed the following procedures:

We interviewed key personnel, including top administration, mid-level management, and business office employees.

We evaluated forms and documentation used in the daily business processes.

We evaluated internal controls, policies and procedures.

We evaluated technology used by the District as well as the security of the technology.

We prepared a flowchart of the areas we updated, which illustrates an overview of the main steps of operations in that area.

We reviewed the audit reports issued by the State Comptroller's Office as well as the District's Claims Auditor and External Auditors.

Interviews of key personnel performed on our risk assessments to date included the following:

Dr. Nicole Williams, *Superintendent*

Dawn Cupano, Assistant superintendent for business and Purchasing agent

Mary Ivich, District Treasurer

Karen Wright, Junior Accountant

Sherry McGrath, *Payroll Clerk & Extraclassroom Treasurer*

Dave Dunn, *Director of Food Service*

Joan Picard, *Accounts Payable Clerk*

Stan Merritt, *Director of Transportation*

Sean Duneshavar, *Director of Technology*

Tracy Farrell, *Director of Special Projects*

John Willabay, *Director of Buildings and Grounds*

Linda Mann, *Interim Director of Human Resource*

Sue Peters, *Claims Auditor*

# Poughkeepsie City School District

## Explanation of Risk Ratings

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The risk assessment quantifies scores in various areas of the operations of the District. The scores determine if a particular area is graded low, medium, or high risk. The following illustrates the range of possible scores:

Low Risk	21 - 49
Medium Risk	50 - 77
High Risk	78 - 105

Risk levels were assigned to each area based on six key variables.

- 1) *Dollar Volume* - The higher the dollar volume, the higher the value assigned.
- 2) *Adequacy of Personnel* - Values assigned depend on personnel having proper qualifications, and that there is enough staff to perform proper internal controls.
- 3) *Complexity of Activity* - Different reviewed areas are more complicated and allow more opportunities for fraud or misappropriations.
- 4) *Management Interest* - If management places a priority, or expresses interest in a particular area, it is awarded a higher risk value to ensure that attention is paid to that area.
- 5) *Adequacy of Procedures* - If there are proper procedures that are understood and followed, risk levels are significantly reduced.
- 6) *Adequacy of Internal Controls* - Lack of controls could mean that procedures are not followed correctly, increasing risk levels.

In order to calculate the Risk Score for each reviewed area, we have to determine the risk level for each variable. The following is an illustration of the calculation which assigns risk scores to each variable:

A = Rank - Each variable is ranked in order of its importance from 1-6 (6 being most important).

B = Descriptive Value - Each variable is scored with a value from 1-5 (5 being highest risk) depending on our Observations for that particular area.

A x B = Weighted Value - Calculated by multiplying each Variable's rank by its descriptive value.

When we have computed a score for each variable, they are totaled giving us the Total Risk Score for the reviewed area being evaluated.

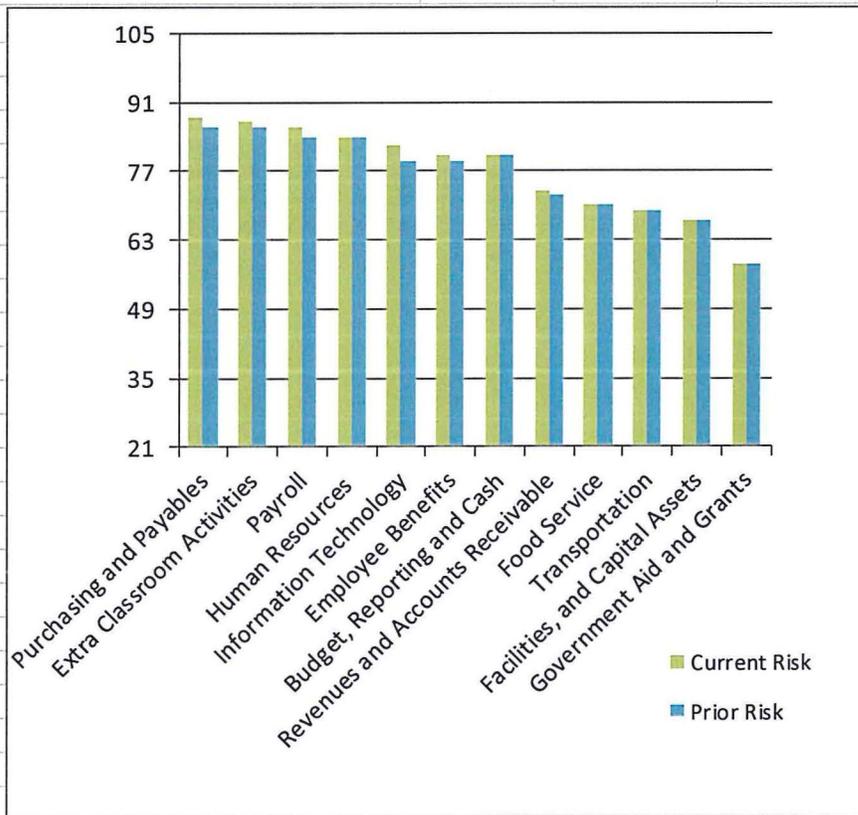
*\*It should be noted that not all of these variables can be controlled by the District. For instance, the dollar volume for receipts, payables, and payroll will always be high. Therefore, even with perfect controls these areas would not be considered low risk. This should be taken into consideration when reading the results of our scoring.*

# Poughkeepsie City School District

## Risk Ratings - Results

In the illustration below we list each area, as well as its assigned risk score, and level:

Area of Review	Current Risk		Prior Risk
	Score	Level	Score
Purchasing and Payables	88	High	86
Extra Classroom Activities	87	High	86
Payroll	86	High	84
Human Resources	84	High	84
Information Technology	82	High	79
Employee Benefits	80	High	79
Budget, Reporting and Cash	80	High	80
Revenues and Accounts Receivable	73	Medium	72
Food Service	70	Medium	70
Transportation	69	Medium	69
Facilities, and Capital Assets	67	Medium	67
Government Aid and Grants	58	Medium	58



**Payroll - Risk Score: 86**

The District's largest expenses are salaries, wages, and fringe benefits. This area of operations includes the calculation of employee earnings and deductions, and issuing paychecks to all employees of the District. High risk factors within this area include reputation risk, materiality to the financial statements, susceptibility to misappropriation, fraud or loss, internal control environment, and compliance with laws and regulations.

We have performed an intensive review of Payroll for the year ending June 30, 2016. That report noted an additional number of weaknesses as well as recommendations for increasing the effectiveness of internal controls in this area.

Significant Internal Control changes made since the last risk assessment report:

-None

Newly noted observations and recommendations

- 1) Observation: The District does not have an experienced payroll clerk.  
Recommendation: Because payroll is such an important function of a school district, it is important for the District to ensure processes are strong and records are accurate. If the District cannot bring in experienced help, they should continue to work with, support, and train the new payroll clerk.

Previously reported observations and recommendations remaining unresolved:

- 1) Observation: The payroll register is not reviewed by anyone other than the Clerk before checks and direct deposit stubs are printed.  
Recommendation: The Payroll Clerk and Claims Auditor or Treasurer should review the Payroll Register Report to pick up any anomalies that might have been missed.
- 2) Observation: The payroll clerk has the ability to edit their own information in Finance Manager.  
Recommendation: No employee should be able to access and edit their salary information within Finance Manager. This should be done independently by the Personnel Department. These rights should be immediately removed from the Payroll Clerk's profile.
- 3) Observation: The District does not currently perform live payroll distributions. Live distributions when performed properly are an effective way to detect, and prevent the possibility of "phantom employees" on the payroll.  
Recommendation: On an annual basis the District should select at least one building to perform live distributions of checks. Every building employee should be required to sign for their check or stub and provide valid school or state issued identification. This process should be performed by Business Office staff that is independent of the Payroll function.

**Payroll, continued**

4) **Observation:** The Payroll Clerk has the ability to set up new employees in Finance Manager. Since the current practice is a function to be completed by the Human Resources Department, these access rights are not properly aligned with current practices.

**Recommendation:** It would not be proper segregation of duties for the Payroll Clerk to set up new employees in the system, therefore these access rights should be removed from the Payroll Clerks profile. Additionally, it is important that The Superintendent pay extra attention to the payroll of business office employees, particularly payroll and human resources, when certifying payroll.

5) **Observation:** Unclaimed paystubs or paychecks are either mailed to the employees or returned to the Payroll Clerk by the building level secretaries. Mailing of checks reduces the chances of detection of improper payroll for a former or phantom employee. Returning checks to the Payroll Clerk would allow for an opportunity for the Clerk to cover up cases of inappropriate activities.

**Recommendation:** Any time paychecks or stubs go unclaimed; they should be forwarded to the Human Resources Department to contact the employees, and to determine if the payroll was valid. Any employees who repeatedly fail to pick up stubs should be taken off of direct deposit to force them to pick up a live check. Substitute teachers who are not regularly in the building may be the exception to the rule since it may not be feasible for them to come to the District to pick up their checks. In cases of substitutes, these check and stubs should be mailed by the Human Resources Department so that they can verify that the checks that are going out are for valid substitutes, and not phantom employees.

***Conclusion:*** Since our last Risk Assessment, the District hired and replaced their previous payroll clerk. However, the processes generally remained the same since our last review. We recommend that the District continue to support and strengthen the controls within the Department. As a result we have rated this at a high risk level.

**Human Resources - Risk Score: 84**

This area is highly significant one not only due to its relationship with the payroll process, but also due to the complexity and sensitivity in maintaining its relations with its employees' representative unions, related contractual obligations and compliance requirements. It is important in any school district that both human resource department and payroll department work jointly to effectively process the District's largest expense.

**Significant Internal Control changes made since the last risk assessment report:**

-None

**Human Resources, continued**

*Previously reported observations and recommendations remaining unresolved:*

- 1) Observation: The District does not currently perform exit interviews.  
Recommendation: The District should consider conducting exit interviews with its resigning/terminating staff. These exit interviews can sometimes provide valuable information about the District that may not have otherwise been disclosed while employed.
  
- 2) Observation: There is no review between Payroll and Human Resources to determine if the annual salary rollover is accurate. Additionally, they do not meet to review to see if each teacher is at the appropriate step and lane.  
Recommendation: In an effort to ensure accurate payroll, the Payroll Department and the Human Resource Department should meet annually to review the salary rollover.
  
- 3) Observation: Salary information is updated by the Payroll Department.  
Recommendation: This is a weakness in segregation of duties. Salary information should be updated by Human Resources.

*Conclusion:* Like similar departments within the District, there has been significant turnover within Human Resources. Since our last review, the District replaced their Human Resource Director multiple times. This, coupled with turnover within the Payroll Department, increases the risk of inefficient operations. Because of the immense turnover within the District, this may be good area to review in the future. This area remains a high risk level.

**Purchasing and Payables - Risk Score: 88**

These two areas have been risk rated together since they are so closely related. This area is rated at high risk due to the significance of these activities to the statement of fund activity; reputation risk; susceptibility to misappropriation, loss, or fraud; complexity of operations; compliance with rules and regulations and internal control environment.

*Significant Internal Control changes made since the last risk assessment report:*

-None

*Newly noted observations and recommendations:*

-None

*Previously reported observations and recommendations remaining unresolved:*

- 1) Observation: The Accounts Payable clerk has the ability to enter a purchase requisition, approve the requisitions, create a purchase order, and make payment on that order.  
Recommendation: The District should separate these duties within the Accounts Payable department. Having one employee responsible for all of these functions increases the chances of fraudulent behaviors occurring. Purchase orders should be reviewed independently to ensure legitimate payments and purchases are being made.

**Purchasing and Payables, continued**

- 2) Observation: The Accounts Payable Clerk has the ability to issue a check directly to a vendor without the use of a Purchase Order (manual check). This would provide an opportunity to work around the normal approval process for making valid payments.  
Recommendation: The access right for manual checks should be turned off in Finance Manager globally. We noted the District is attempting to use manual checks more often.
  
- 3) Observation: The District's Internal Claims Auditor performs the audit of claims subsequent to the printing of checks. Because the claims are reviewed after printing there is no supervisory review of what was set up to be printed beforehand.  
Recommendation: Reviewing claims before they are printed would cut down on the number of times it is necessary to void and reissue checks. If the claims are audited before the printing of checks, the actual checks should be matched against the warrant after they are printed to ensure that the checks written are in accordance with what was approved by the Claims Auditor.
  
- 4) Observation: The Accounts Payable Clerk has the ability to make changes to purchase orders in Finance Manager. In addition, the Accounts Payable Clerk has the ability to create new vendors.  
Recommendation: Due to the nature of the Accounts Payable position, the ability to change purchase orders after they have been approved, and the ability to create new vendors create weak segregation of duties. We understand that budget restrictions make proper segregation difficult at times, however, the addition of a Purchasing Agent should be used to help segregate these duties.
  
- 5) Observation: Purchase orders may be adjusted for differences in shipping costs, or for small changes in prices of items ordered. However, there is no formal threshold dictating the maximum change amount that the Accounts Payable Clerk is authorized to make.  
Recommendation: The District should set a formal limitation for changes that do not need additional approval from supervisory staff. We would recommend that no changes can be made for differences over \$25. For any necessary changes over this amount, the original requisitioner should be notified and the change should follow the normal purchase order approval process.

*Conclusion*: At the request of the Board, we recently performed an intensive review of this area. While we noted instances of good controls, there is still room for improvement. Please see our report date June 30, 2017 for additional comments and recommendations. Since our last risk assessment, the District replaced their Purchasing Agent. The new Purchasing Agent has significant school district experience and brings a fresh set of eyes to the processes and controls in place. However, due to the nature of the area, the risk level remains high.

# Poughkeepsie City School District

## Summary of Reviewed Areas

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### **Revenues and Accounts Receivables - Risk Score: 73**

This area includes customer billing, maintaining accounts receivable sub-ledger, cash collecting and recording and reporting of revenue, most of which are the responsibility of the Treasurer, and Accounts Payable Clerk (for real estate taxes). Risk factors affecting this area include strategic planning and budgeting impact; materiality to the financial statements; susceptibility to misappropriation, fraud or loss; management reporting; and documentation of internal controls.

#### Significant Internal Control changes made since the last risk assessment report:

-None

#### Newly noted observations and recommendations:

-None

#### Previously reported observations and recommendations remaining unresolved:

- 1) **Observation:** Some taxpayers bring cash directly to the District to pay their property tax liability. These cash payments are processed, and recorded by the Accounts Payable Clerk. Having the cash received, and recorded by one individual creates an opportunity for theft.  
**Recommendation:** All deposits should be received, and logged by an employee independent of the person who records the deposits. This control is especially important for cash deposits as a deterrent. After logging, the checks and cash should then be forwarded to the employee in charge of booking the deposits. For cash receipts, a duplicate receipt system should be used to provide documentation both for the District, and the taxpayer.

**Conclusion:** There have been no changes to the processes involving billing, accounts receivable, or cash collections. This area's risk score is primarily affected by its monetary size and nature and therefore difficult for the risk level to ever reach a low rating. The area is rated at *Medium Risk*.

### **Facilities and Capital Assets - Risk Score: 67**

This area includes facilities maintenance; construction and inventory controls. The Director of Buildings and Grounds is in charge of the District's buildings, grounds and facilities maintenance. The Director helps ensure that facilities are safe and regulations promote the educational mission of the District as well as monitors the construction and capital improvement projects.

#### Significant Internal Control changes made since the last risk assessment report:

- 1) The new Director monitors Timepiece to make sure his employees sign in and out at proper times.

**Facilities and Capital Assets, continued**

*Newly noted observations and recommendations:*

- 1) Observation: When new assets are purchased, they are not tagged immediately. This increases the risk of misappropriation or lost assets.

Recommendation: The District should tag an asset as soon as possible after its initial purchase. Barcode labels allow individual assets to be assigned a unique identification number, making it simple to easily pinpoint the location of a specific asset. This will help reduce the possibilities of newly purchased assets from being stolen or lost before being used by the District.

*Previously reported observations and recommendations remaining unresolved:*

- 1) Observation: There is no documented list of tools on hand that are used by the Buildings and Grounds staff. Additionally, when tools are taken from the storage cage they are not signed out by the staff using them.

Recommendation: A formalized list should be created to track what items the department has. On a periodic basis an inventory count should be performed on tools and it should be matched back to the list to determine if any tools are missing. This would serve as a deterrent for theft. Additionally, Buildings and Grounds employees should be required to sign tools out when requesting them from the cage; this will increase accountability over the safeguarding of these tools.

- 2) Observation: When filling gas cans at the District fuel pumps, employees notate "grounds equipment" on the fuel log. Filling out the fuel log in general terms reduces the usefulness of the log. A reviewer of the log should be able to determine what the fuel was intended to be used for.

Recommendation: When employees pump gas into cans they should be required to indicate specifically what equipment the fuel is to be used for. This will provide additional information which would help to determine the reasonableness of the amount of fuel being used for specific pieces of equipment. This would also reduce the risk that fuel is pumped into cans for personal use.

- 3) Observation: Buildings and Grounds employees have Home Depot cards under the District account. These cards are in the names of the individual employees and are used when supplies need to be purchased from Home Depot.

Recommendation: All cards should be kept on hand in the Buildings and Grounds Department, and should be locked in a safe. When an employee needs a card, they should be required to sign it out with a brief description of what they need it for. The card should then be returned with the receipt from their purchase. This will further restrict the possibility of the cards being used for personal use.

*Conclusion:* Similar to other areas, this Department also went through significant turnover. The District recently hired a new Director of Buildings and Grounds. The overall processes have remained the same but the new Director has intentions of strengthening the control structure. Based on our findings we have rated this area at a medium risk level.

**Information Technology - Risk Score: 82**

Information Technology in education environments has basic inherent risk due to the concentration of critical information being in an electronic format and the need to provide for the proper security over this information. An assessment of the School Districts IT management controls determines whether the organizational structure, the IT resources used, and related control policies and procedures are adequate to foster effective management of Information Technology.

Significant Internal Control changes made since the last risk assessment report:

-None

Newly noted observations and recommendations:

- 1) Observation: The District does not have a backup generator.  
Recommendation: We recommend the District consider purchasing a backup generator. Generators are important as they allow for the continuation of operations in the event of lost power. Additionally, it would give the District additional time and the opportunity to backup important and sensitive data in the event of unexpected power outages.
- 2) Observation: The District does not use BOCES for offsite backups. Backups are done onsite at a separate administration building.  
Recommendation: The District should consider allowing BOCES to perform routine nightly backups. These backups are performed offsite which protects the District's vital information in the event of an unexpected event such as a fire or natural disaster.

Previously reported observations and recommendations remaining unresolved:

- 1) Observation: The Information Technology Department currently does not have work order system in place. Because of this, the staff cannot prioritize and track work as it comes in.  
Recommendation: The District should invest in a program such as Help Desk to track and prioritize the work.
- 4) Observation: There is poor communication between the Information Technology Department and other District departments. A lack of communication can increase confusion and damage the effectiveness and efficiency of control procedures.  
Recommendation: It is important that all departments are properly communicating in order to ensure the correct flow of information. Routine meetings should be held with all department heads present to make sure everyone is on the same page.
- 5) Observation: The District does not currently enforce password changes on a regular basis.  
Recommendation: To increase IT security, the District should implement standard procedures requiring users to change passwords every 30 to 90 days.

*Conclusion:* Information Technology is ever changing and requires constant monitoring and adaptation. The District is currently waiting for smart bond funding to replace old technology. While new technology brings more efficiency, there is also an increased risk for new threats. As a result, this risk score and level remains high.

**Budget, Reporting, and Cash - Risk Score: 80**

This area includes all budget, financial reporting and cash management functions of the District. Risks for this area include reputation risk, materiality to the balance sheet; susceptibility to misappropriation, fraud, or loss; complexity of operations and corporate governance.

Significant Internal Control changes made since the last risk assessment report:

-None

Previously reported observations and recommendations remaining unresolved:

-None

*Conclusion:* There have been no changes to the processes involving the Budget, Reporting, and Cash. Due to the nature of this area, and the processes that are already in place, we have rated Budgeting, Reporting, and Cash at a High risk level.

**Employee Benefits – Risk Score: 80**

Health insurance is a significant expenditure to the District, and it is important to maintain sufficient controls to ensure that the District is not overbilled by insurers and to ensure the proper enrollees are contributing the correct amounts to their coverage.

Significant Internal Control changes made since the last risk assessment report:

-None

Newly noted observations and recommendations:

-None

Previously reported observations and recommendations remaining unresolved:

- 1) Observation: The District does not currently send annual letters to retirees to determine if they have previously deceased.  
Recommendation: Annual letters should be sent asking for the retirees to sign and return to verify that contact information has not changed. Follow up phone calls should be made to any who do not return the letter. This could help to discover an enrollee who is deceased.
- 2) Observation: The District does not currently perform an independent review of the list of enrollees to determine if all that are enrolled are eligible.  
Recommendation: There should be a supervisory review of all enrollees entered into District coverage by the Benefits Clerk. This can be performed on a periodic basis by a District employee who is independent of the benefits function such as the District Treasurer, or the Assistant Superintendent for Business. The purpose of this review would be to ensure that all enrollees are valid District employees or retirees, and to ensure that no enrollees are receiving coverage, as well as the buyout option.

*Conclusion:* Many of the procedures remained the same since our last Risk Assessment. The Risk Level remains the same at High.

**Extra Classroom Activities – Risk Score: 87**

Extra Classroom Activities are an area with a relatively low dollar volume. However, since this is an area where cash changes hands, and an area where we have historically found inconsistencies in internal controls, it is an area where fraud could potentially take place.

Significant Internal Control changes made since the last risk assessment report:

-None

Newly noted observations and recommendations:

- 1) Observation: The Extraclassroom Treasurer does not meet with Extraclassroom Advisors at the beginning of each school year.  
Recommendation: At the beginning of every year the District should have a meeting with the Extraclassroom Treasurer as well as all Extraclassroom Advisors to discuss and review all proper procedures. The District should make sure each advisor is given a copy of New York State's "Pamphlet #2: The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds." Additionally, they should perform annual reviews to make sure all clubs are operating efficiently.
- 2) Observation: The District's Extraclassroom SWAG program collects funds by fundraising activities. However, payments are being made from both the general fund and the SWAG bank account.  
Recommendation: Extraclassroom Activity payments should not be made out of the General Fund.

Previously reported observations and recommendations remaining unresolved:

- 1) Observation: Faculty Advisors are given copies of monthly QuickBooks reports and are instructed to contact the Business Office if there are any discrepancies. However, the Advisors do not sign and return copies of these reports to indicate that they are in agreement.  
Recommendation: Advisors and Student Treasurers should sign off on a copy of the monthly activity report and return to the Extra Classroom Activity Treasurer. This will document their agreement with the records on a timelier basis, and ensure that records are maintained accurately.
- 2) Observation: Checks for withdrawal of funds from the extra classroom activities account are signed only by the Extra Classroom Activities Treasurer. The Treasurer also prepares bank reconciliations for this account.  
Recommendation: The preparer of bank reconciliations should not have the ability to disburse funds from the account without a second approval. Checks should be generated by the Extra Classroom Activities Treasurer and sent over to the clubs' respective building Principals. The Principals should sign these checks as the second signature and give them back to the clubs to distribute to vendors.

**Extra Classroom Activities, continued**

3) Observation: The District is currently using Quickbooks to track Extra Classroom activity funds.

Recommendation: While Quickbooks is effective accounting software, the District may be better off converting to School Books. This software is specifically designed and suited for schools. It is a simplified accounting program and provides convenience for all parties involved. Several school districts have already successfully converted to School Books. We have noted that this has increased their effectiveness and efficiency in recording and tracking school activity funds.

*Conclusion:* Extraclassroom Activities has become an area of concern within surrounding Districts. Recently two Westchester school districts discovered theft in the Extraclassroom operations. Due to concerns with controls in place, we raised our assessment from medium to high risk.

**Food Service – Risk Score: 70**

This is one of the areas within the District where cash actually changes hands. This increases the necessity for strong internal controls. During a review of this area we would test the accuracy of deposits against point of sale reports, and test controls over cash handling and reporting of revenue to the Business Office.

Significant Internal Control changes made since the last risk assessment report:

-None

Newly noted observations and recommendations:

-None

Previously reported observations and recommendations remaining unresolved:

1) Observation: After cash is counted by cashiers it is transported to the high school via courier in sealed deposit bags to be stored in a safe. However, the following day, the bags are opened and the contents are combined to generate one deposit.

Recommendation: When the cashiers seal cash into the deposit bags they should indicate amounts on the outside of the bag. One deposit slip can be filled out detailing bag numbers and amounts. Cash should be transported to the bank in the originally sealed bags to cut down on the handling of cash and prevent the opportunity for theft.

2) Observation: Not all vending machines in the District are handled by food service. These machines are handled by third party vending companies. It was unclear who is monitoring the income generated from these machines, and how the cash is handled.

Recommendation: All machines should be handled by food service so that consistent controls for filling and cash handling can be applied. All sales through vending machines should be entered into the point of sale system.

**Food Service, continued**

*Conclusion:* The procedures in place generally remained the same since our last Risk Assessment. The risk level remains at medium.

**Transportation - Risk Score: 69**

The District has a contract with a third party vendor to provide transportation for District students, however routing of bus routes, and scheduling of pickups are handled internally. Additionally, the District does not store fuel on its premises and does not have its own pumps which alleviate the need for physical controls over gasoline.

*Significant Internal Control changes made since the last risk assessment report:*

-None

*Newly noted observations and recommendations:*

-None

*Previously reported observations and recommendations remaining unresolved:*

- 1) Observation: The District is currently generating and tracking bus routes manually. Most pickup locations have been consistent for many years which results in minimal changes, however, this may limit the possibility for finding more efficient ways to run routes.  
Recommendation: We recommend that the District consider the cost of implementing route development software such as Transfinder or Versatrans. The potential savings associated with combining routes or cutting down live miles could prove to outweigh the cost of implementation.
  
- 2) Observation: Keys needed to unlock fuel pumps, and the clipboard containing the fuel usage log are outside of the office door of the Director of Transportation. Because these are unattended, there is no way to verify that all staff is logging the fuel they have pumped. Additionally, mileage on vehicle odometers is not reconciled back to the log. As a result it is difficult to determine if the amount of fuel that is pumped is reasonable for the number of miles traveled.  
Recommendation: Keys should be put in the possession of the Director of Transportation. This would require an employee who is pumping gas to request the key, and force them to fill out the log. The Director of Transportation should spot check the log against actual odometer readings from the vehicles to determine if the log is being filled out accurately. The District should consider installing an automated fueling system, such as Fuelmaster or Gasboy, in order to strengthen controls over fueling.

### Transportation, continued

3) Observation: The District does not currently request copies of insurance certificates for vendor owned vehicles. Additionally, the District does not obtain copies of fingerprint clearance for drivers hired by the contracted vendors.

Recommendation: The District should document that contracted vendors are following all District policies. This would include performing full background checks on drivers including fingerprint screening, as well as maintaining the appropriate levels of insurance on its vehicles.

*Conclusion*: While we did not note any new significant weaknesses, there are still previous observations that have not been addressed. As a result of our findings this area remains a medium risk.

### Government Aid / Grants - Risk Score: 58

School Districts are entitled to a variety of program aid from the state and federal government. Government aid and grants can account for a significant source of funding for public education. Most state and federal program aid requires certain applications and claim forms to be submitted at a determined schedule.

#### Significant Internal Control changes made since the last risk assessment report:

-None

#### Newly noted observations and recommendations:

-None

#### Previously reported observations and recommendations remaining unresolved:

1) Observation: When allocating funds to non public schools, the District relies on lists provided by non public schools of students who should be included in the allocation calculation. The District is not verifying these lists to ensure they are accurate.

Recommendation: The District should spot check these lists to ensure that the schools are not adding fictitious students for the purpose of increasing their fund allocation.

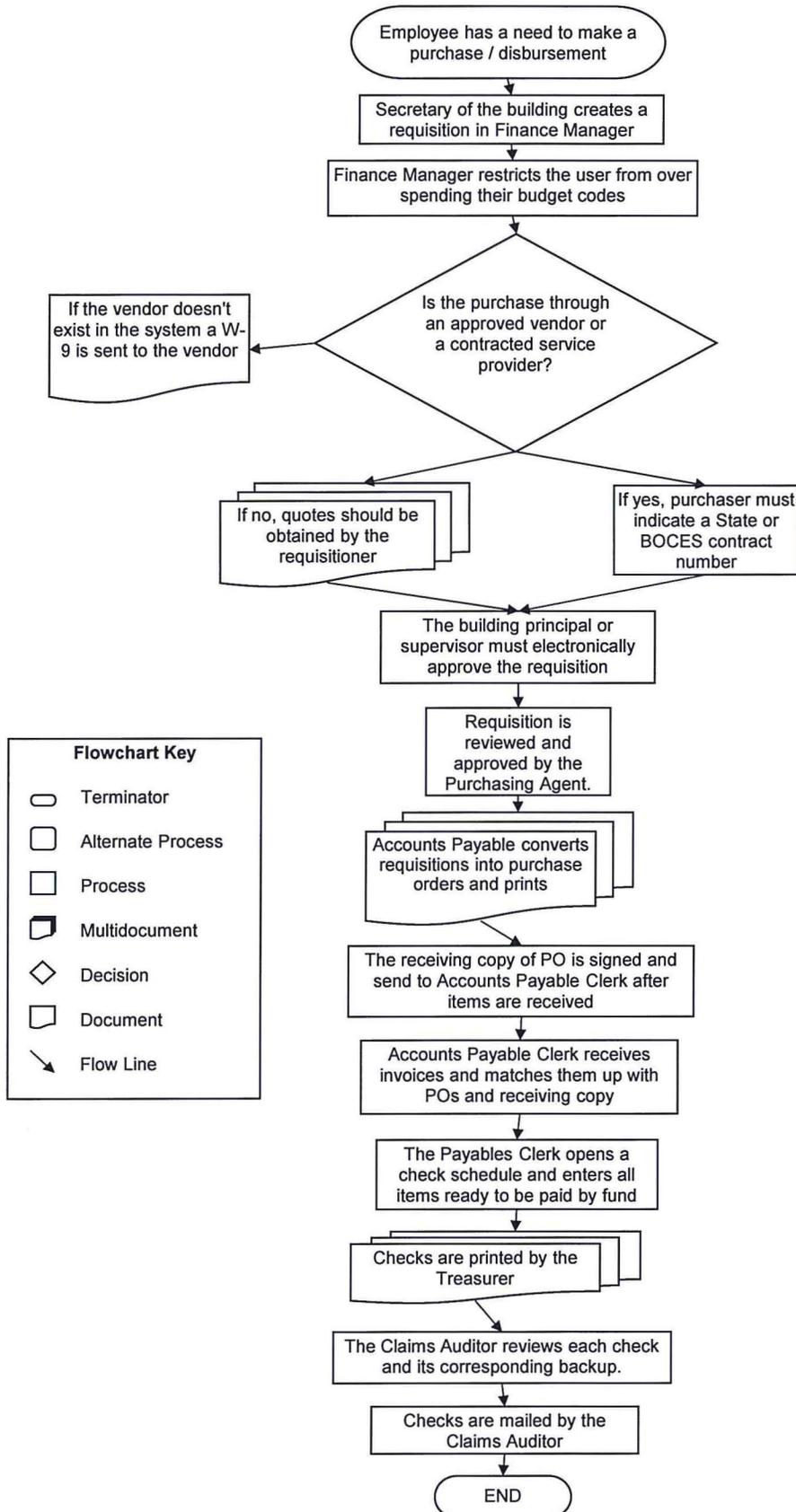
2) Observation: For hourly billed contracted services, therapists submit time sheets to the District to document their hours. There is no independent verification that the hours are accurate and that the students did in fact receive the services.

Recommendation: Therapist time sheets should be signed either by the students' parents, or by teachers who are present at the time the therapists perform these services. This would give verification that the services were in fact rendered.

*Conclusion*: This is an area where the highest risk is a missed opportunity. The District must continue to stay vigilant in its search for new grants and funding opportunities. We would be happy to provide a list of additional websites where funding opportunities can be researched. Based on our findings we have rated this area as medium risk.

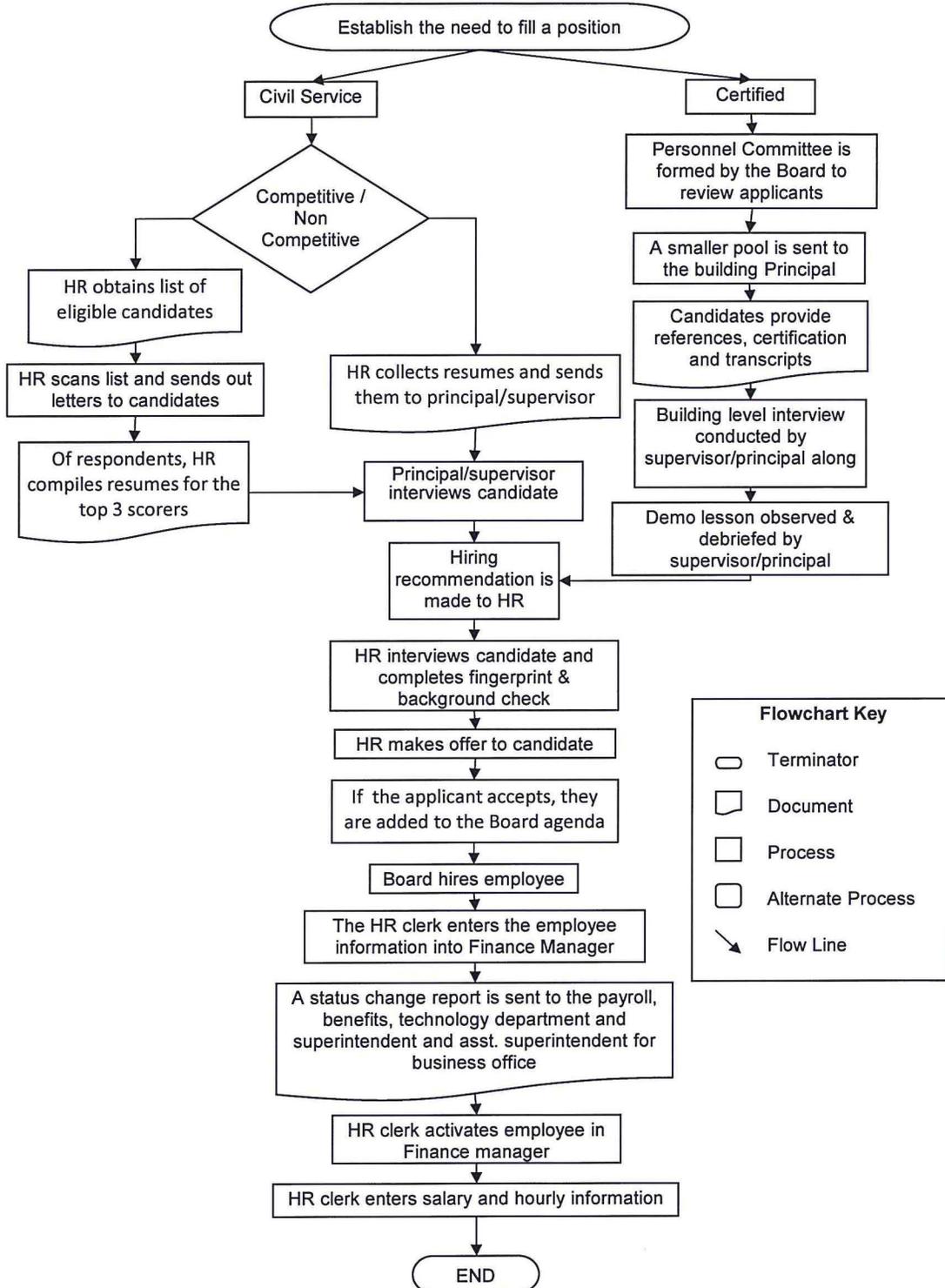
# Poughkeepsie City School District

## Flow Chart – Purchasing and Payables



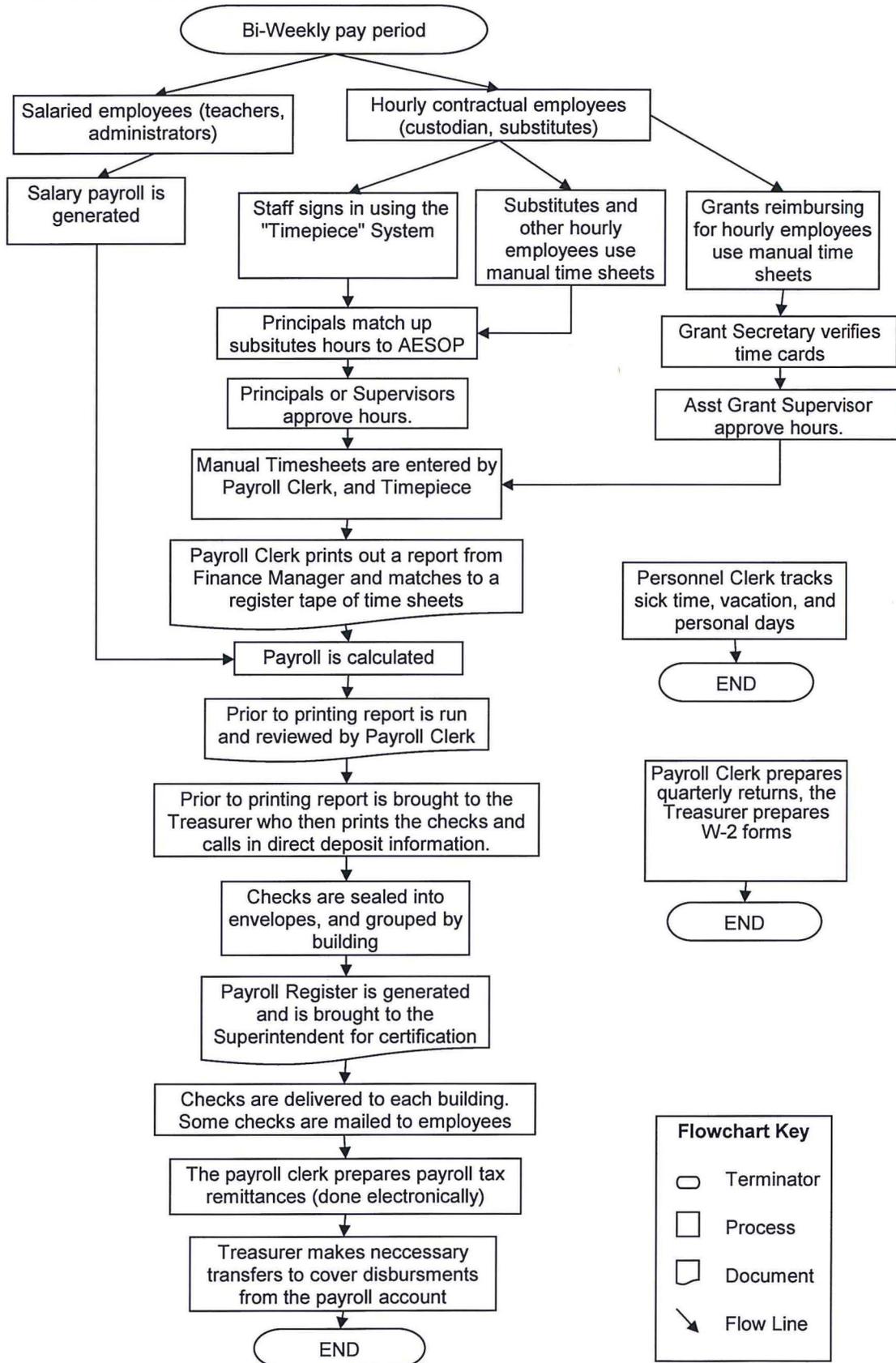
# Poughkeepsie City School District

## Flow Chart – Personnel



# Poughkeepsie City School District

## Flow Chart – Payroll



**Flowchart Key**

-  Terminator
-  Process
-  Document
-  Flow Line



# Poughkeepsie City School District

## Flow Chart – Food Service

