

## **ANNUAL RISK ASSESSMENT UPDATE**

We have performed an audit risk assessment update for the Monticello Central School District for the period January 1, 2021 to December 31, 2021 with the Office of the New York State Comptroller and New York State Education Department's Chapter 263 Laws set forth in 2005. A risk assessment is a systematic approach for identifying and controlling risk. Risks can be presented from both internal and external factors which threaten the achievements of the District's mission, goals and objectives.

Internal control can be defined as the integration of activities, plans, policies and procedures performed by the efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its mission, goals and objectives.

As the District's Internal Auditor, our primary responsibility is to assist the Board of Education in ensuring that the District's risks are identified, and to provide the Board and Management with continuous assessment of risk to ensure that proper internal controls are in place and functioning effectively in order to mitigate risks.

Our risk assessment includes an analysis of the District's major functions, processes and controls. The process measures the financial, compliance, and operational risks associated with each identified control. Our risk assessment update includes a current year risk determination and a follow-up on previous internal and external audit findings.

The following control cycles included in the risk assessment were identified based on guidance from the New York State Education Department:

### **I. GOVERNANCE & PLANNING**

- Governance & Control Environment
- Strategic Planning, Budget Development & Budget Administration

### **II. ACCOUNTING & REPORTING**

- Assessing Financial Condition
- Financial Accounting & Reporting
- Auditing
- State Aid & Grants

### **III. REVENUE & CASH MANAGEMENT**

- Cash Receipts & Revenue
- Cash Management & Investments
- Petty Cash

#### **IV. PURCHASING & EXPENDITURES**

- Purchasing
- Accounts Payable & Cash Disbursements
- Payroll & Personnel
- Travel & Conferences

#### **V. FACILITIES & EQUIPMENT**

- Facilities Maintenance
- Facilities Construction
- Inventory Controls

#### **VI. STUDENT SERVICES**

- Student Transportation
- Food Service
- Extraclassroom Activity Fund

#### **VII. STUDENT RELATED DATA**

- Attendance
- Reliability of Student Performance Data

Our approach to understanding the controls of the District included meeting with appropriate personnel for each respective audit area and discussing and understanding the processes and procedures. In addition, when necessary, we performed walk-throughs of transaction cycles and tests of transactions.

After compiling this information, any deficiencies in internal controls were documented and mitigating procedures were suggested to the District.

Based on our evaluation of the above mentioned areas, we have assessed each control cycle with a level of both inherent and control risk. Risk can be assessed at high, medium or low levels.

**Inherent risk** is the likelihood of a misstatement not being detected without consideration of established controls. By their distinctive nature alone, it is typical that many of the District's processes have high inherent risk.

**Control risk** is the risk that a misstatement will not be detected or prevented by the District's internal controls on a timely basis. It also measures the adequacy of the District's internal controls.

A summary of the assessed risks can be found in the Risk Assessment Table followed by The Risk Assessment & Updates Report, which have been attached herewith, and are presented in the following pages.

Not all risks are equal. Some are more likely to occur than others, and some will have a greater impact than others if they occur. Once risks are identified, their probability and significance must be assessed. Upon identifying and assessing risk, the District must decide on how to deal with it. Based on a cost/benefit analysis, in some cases, the decision may be to control it; in others, it may be to accept it.

These reports are intended solely for the information and use of the Board of Education and management of the Monticello Central School District and should not be used by anyone other than the specified parties.

*Waschitz Pavloff CPA LLP*

Monticello, New York

March 2, 2022

**MONTICELLO CENTRAL SCHOOL DISTRICT  
RISK ASSESSMENT TABLE  
DECEMBER 31, 2021**

Business Process	RISK		Detailed Testing Performed in 2021	Proposed Detailed Testing in 2022
	Inherent	Control		
GOVERNANCE & PLANNING				
Governance & Control Environment	High	Medium	✓	✓
Strategic Planning, Budget Development & Budget Administration	High	Low	✓	
ACCOUNTING & REPORTING				
Assessing Financial Condition	High	Medium		✓
Financial Accounting & Reporting	High	Medium		✓
Auditing	Medium	Low		
State Aid & Grants	High	Medium	✓	
REVENUE & CASH MANAGEMENT				
Cash Receipts & Revenue	High	Medium		✓
Cash Management & Investments	High	Medium	✓	
Petty Cash	High	Medium		✓
PURCHASING & EXPENDITURES				
Purchasing	High	Medium		✓
Accounts Payable & Cash Disbursements	High	Medium		
Payroll & Personnel	High	High	✓	✓
Travel & Conferences	High	Medium		
FACILITIES & EQUIPMENT				
Facilities Maintenance	High	Medium		✓
Facilities Construction	Medium	Medium	✓	✓
Inventory Controls	High	Medium	✓	✓
STUDENT SERVICES				
Student Transportation	High	Medium		✓
Food Service	High	Medium		
Extraclassroom Activity Fund	High	High	✓	✓
STUDENT RELATED DATA				
Attendance	High	Medium		
Reliability of Student Performance Data	High	Medium		✓

**MONTICELLO CENTRAL SCHOOL DISTRICT  
RISK ASSESSMENT & UPDATES  
SCHEDULE OF CURRENT YEAR FINDINGS  
FOR THE PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2021**

<b>RISK ASSESSMENT AREA</b>	<b>DESCRIPTION</b>	<b>RECOMMENDATION</b>
Governance and Control Environment	<ul style="list-style-type: none"> <li>(2021) The District's network has the capability to automatically encrypt e-mails but this feature is not currently utilized.</li> </ul>	<ul style="list-style-type: none"> <li>The District should consider using the automatic e-mail encryption feature for e-mails as it provides an additional safeguard against a cybersecurity threat.</li> </ul>
	<ul style="list-style-type: none"> <li>(2021) The District disabled their 90 day password expiration due to the pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>We recommend that the District reinstate their 90 days password expiration policy.</li> </ul>
	<ul style="list-style-type: none"> <li>(2021) The District's website was missing information required by the New York State Office of the Comptroller in order to be transparent to the public.</li> </ul>	<ul style="list-style-type: none"> <li>We recommend that the District update their website to be in compliance with the requirements of the New York State Office of Comptroller.</li> </ul>
	<ul style="list-style-type: none"> <li>(2021) Implemented – The District website was updated to be in compliance with the requirements of the New York State Office of the Comptroller.</li> </ul>	
Strategic Planning, Budget Development & Budget Administration	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Assessing Financial Condition	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Financial Accounting & Reporting	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Auditing	<ul style="list-style-type: none"> <li>(2021) No New Risks Identified – See Prior Year Finding</li> </ul>	
State Aid & Grants	<ul style="list-style-type: none"> <li>(2021) At the date of our visit, the District was missing required payroll certifications for several employees working on federal programs.</li> </ul>	<ul style="list-style-type: none"> <li>We recommend that the District verify they have all required payroll certifications for employees working on federal programs.</li> </ul>
Cash Receipts & Revenue	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Cash Management & Investments	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Petty Cash	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Purchasing	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	

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<b>RISK ASSESSMENT AREA</b>	<b>DESCRIPTION</b>	<b>RECOMMENDATION</b>
Accounts Payable & Cash Disbursements	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Payroll & Personnel	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Travel & Conferences	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Facilities Maintenance	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Facilities Construction	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Inventory Controls	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Student Transportation	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Food Service	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Extra Classroom Activity Fund	<ul style="list-style-type: none"> <li>(2021) At the time of our visit, one selected fundraiser event did not include a profit and loss statement.</li> </ul>	<ul style="list-style-type: none"> <li>We recommend that the Central Treasurer verify that profit and loss statements are prepared for all fundraising activities.</li> </ul>
	<ul style="list-style-type: none"> <li>(2021) The Central Treasurers do not maintain their own list of all the club advisors and student elected officers.</li> </ul>	<ul style="list-style-type: none"> <li>We recommend that the Central Treasurers maintain a list of all the Board approved club advisors and student elected officers for every club.</li> </ul>
Attendance	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	
Reliability of Student Performance Data	<ul style="list-style-type: none"> <li>(2021) No Risks Identified</li> </ul>	

**MONTICELLO CENTRAL SCHOOL DISTRICT  
RISK ASSESSMENT & UPDATES  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2021**

<b>RISK ASSESSMENT AREA</b>	<b>DESCRIPTION</b>	<b>RECOMMENDATION</b>
Governance and Control Environment	<ul style="list-style-type: none"> <li>(2019) The District does not have a formal online banking policy.</li> </ul>	<ul style="list-style-type: none"> <li>We recommend that the District adopt an online banking policy as suggested by the New York State Office of the Comptroller.</li> </ul>
	<ul style="list-style-type: none"> <li>(2019) Implemented - The District adopted policy #6420 – Online Banking Services</li> </ul>	
	<ul style="list-style-type: none"> <li>(2020) No Risks Identified</li> </ul>	
Strategic Planning, Budget Development & Budget Administration	<ul style="list-style-type: none"> <li>(2019-2020) No Risks Identified</li> </ul>	
Assessing Financial Condition	<ul style="list-style-type: none"> <li>(2019-2020) No Risks Identified</li> </ul>	
Financial Accounting & Reporting	<ul style="list-style-type: none"> <li>(2019-2020) No Risks Identified</li> </ul>	
Auditing	<ul style="list-style-type: none"> <li>(2018) The District's unassigned fund balance is in excess of the amount permitted by New York State law.</li> </ul>	<ul style="list-style-type: none"> <li>New York State law limits the unassigned fund balance to four percent of the subsequent year's adopted budget. We recommend that the District develop a plan to comply with the law.</li> </ul>
	<ul style="list-style-type: none"> <li>(2019-2021) Risk Item Still Outstanding</li> </ul>	
State Aid & Grants	<ul style="list-style-type: none"> <li>(2019-2020) No Risks Identified</li> </ul>	
Cash Receipts & Revenue	<ul style="list-style-type: none"> <li>(2019-2020) No Risks Identified</li> </ul>	
Cash Management & Investments	<ul style="list-style-type: none"> <li>(2019-2020) No Risks Identified</li> </ul>	
Petty Cash	<ul style="list-style-type: none"> <li>(2019-2020) No Risks Identified</li> </ul>	
Purchasing	<ul style="list-style-type: none"> <li>(2019-2020) No Risks Identified</li> </ul>	
Accounts Payable & Cash Disbursements	<ul style="list-style-type: none"> <li>(2019-2020) No Risks Identified</li> </ul>	
Payroll & Personnel	<ul style="list-style-type: none"> <li>(2019) No Risks Identified</li> </ul>	
	<ul style="list-style-type: none"> <li>(2020) One employee out of fifteen employee personnel files reviewed was missing documentation of a background check</li> </ul>	<ul style="list-style-type: none"> <li>We recommend that the District verify that they have all required documentation in the employee personnel file on date of hire.</li> </ul>

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<b>RISK ASSESSMENT AREA</b>	<b>DESCRIPTION</b>	<b>RECOMMENDATION</b>
Travel & Conferences	<ul style="list-style-type: none"> <li>(2019-2020) No Risks Identified</li> </ul>	
Facilities Maintenance	<ul style="list-style-type: none"> <li>(2011) The District does not have a long-range plan for equipment replacement purchases.</li> </ul>	<ul style="list-style-type: none"> <li>The District should establish a long-range plan to ensure that the District has the necessary equipment available when needed and that the equipment budget stays fairly level each year.</li> </ul>
	<ul style="list-style-type: none"> <li>(2021) Implemented – The District has a long-range plan in place for bus replacement purchases.</li> </ul>	
Facilities Construction	<ul style="list-style-type: none"> <li>(2019) One of the District's subcontractors paid an employee below the prevailing wage rate on a public works contract.</li> </ul>	<ul style="list-style-type: none"> <li>The District should review the pay rates for employees of their contractors and subcontractors to verify that they are in compliance with New York State Labor Law Article 8.</li> </ul>
	<ul style="list-style-type: none"> <li>(2020) No Risks Identified</li> </ul>	
Inventory Controls	<ul style="list-style-type: none"> <li>(2012) The District does not have policies and procedures in place to ensure that changes in assets, such as location, disposition, etc. are reflected in the inventory system.</li> </ul>	<ul style="list-style-type: none"> <li>The District should establish and follow the procedures to ensure that changes in assets are reflected in the inventory system.</li> </ul>
	<ul style="list-style-type: none"> <li>(2021) Implemented – The District has policies and procedures in place to track the location of information technology assets.</li> </ul>	
Student Transportation	<ul style="list-style-type: none"> <li>(2019-2020) No Risks Identified</li> </ul>	
Food Service	<ul style="list-style-type: none"> <li>(2019) New York State Education Department (NYSED) conducted a review of the cafeteria in March 2019 and had four findings.</li> </ul>	<ul style="list-style-type: none"> <li>The District should implement steps to remain in compliance with New York State regulations on the cafeteria.</li> </ul>
	<ul style="list-style-type: none"> <li>(2019) Implemented – The District corrected NYSED's findings and implemented procedures to prevent them from reoccurring.</li> </ul>	
	<ul style="list-style-type: none"> <li>(2020) No Risks Identified</li> </ul>	



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<b>RISK ASSESSMENT AREA</b>	<b>DESCRIPTION</b>	<b>RECOMMENDATION</b>
Extra Classroom Activity Fund	<ul style="list-style-type: none"> <li>(2019) Profit and loss statements were not prepared for two fundraising activities.</li> </ul>	<ul style="list-style-type: none"> <li>The Central Treasurer should verify that profit and loss statements are prepared for all fundraising activities.</li> </ul>
	<ul style="list-style-type: none"> <li>(2020) The external auditor in the June 30, 2020 audit report noted the cash receipts of the extra classroom activity fund have limited supporting documentation accompanying the deposit.</li> </ul>	<ul style="list-style-type: none"> <li>We recommend that the Central Treasurer verify that all cash receipts have supporting documentation maintained.</li> </ul>
Attendance	<ul style="list-style-type: none"> <li>(2019-2020) No Risks Identified</li> </ul>	
Reliability of Student Performance Data	<ul style="list-style-type: none"> <li>(2019-2020) No Risks Identified</li> </ul>	