



# Manchester-Shortsville Central School District

## "Red Jacket Schools"

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October 10, 2018

To the Board of Education

The annual, independent audit report prepared for the Board of Education by Raymond Wager, CPA, and the management letter was provided to the Board of Education for study. The audit contains statements for the year ending June 30, 2018. The report is a positive one. The recommendations have been addressed as follows:

### **Prior Year Deficiencies Pending Corrective Action:**

#### **Liability Reserve –**

The liability reserve ended the year with a balance totaling \$530,321

We recommend the District continue to review this reserve fund to determine whether the District is in compliance with Section 1709 [8-c] of the Education Law. If necessary, the Board should consider transferring any excess funds to other reserves.

**Corrective Action: Although our current coverage for cyber security is \$250,000, we still have significant exposure. Mandated credit monitoring costs alone, currently run around \$175 per name annually. The District will analyze the amount of funds needed to adequately but not overfund this reserve.**

#### **Claims Auditor –**

To ensure the claims auditor is fulfilling the expectations of the Board, the current process and procedures performed by the claims auditor should be documented in writing, reviewed and enhanced by the audit committee and approved by the Board of Education. In addition, a report summarizing the claims auditor's findings should be communicated to the Board on an annual basis.

**Corrective Action: The claims auditor has begun supplying a written report to the Board of Education in the 2018-2019 school year.**

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## **Mission**

*We will challenge all learners and work in partnership with students, parents and community to achieve high standards.*

## **(Prior Year Deficiencies Pending Corrective Action) (Continued)**

### **Banking Procedures –**

The District has a policy in place which discusses internal control over online banking as well as the documentation requirements for call backs and wire transfers.

In order to enhance the controls over wire transfers we recommend the District consider utilization of a dedicated computer terminal which would be used exclusively for wire transfers.

**Corrective Action: The District acknowledges the risk involved and will continue to review procedures.**

### **4408 Summer School Program-**

The New York State Education department created a new document EFH 670 report identifying students that have been reported on the STAC system which students have been verified and what has been paid and outstanding.

We recommend the individual responsible for the STAC claiming procedures review and reconcile this document on an annual basis and verify cost to ensure timely payment of aid.

**Corrective Action: The District has reviewed the new EFH 670 report which arrived after the audit was completed and will continue to review and reconcile this document on an annual basis.**

### **Other Item:**

The following item is not considered to be a deficiency in internal control; however, we consider it an other item which we would like to communicate to you as follows:

### **Computer Controls –**

During our review of computer controls and access rights we noted that the Payroll Clerk no longer has full access to add and delete employees, however, she continues to have access to change pay rates. Payroll “edit” reports are reviewed regularly which provide a good mitigating control, however, they are not printed and signed off indicating completion of the review.

**Corrective Action: The district will continue to monitor the processes for the Payroll Clerk and will continue to monitor and provide good mitigating controls.**

### **Cyber Risk Management –**

THE AICPA Center for Audit Quality recently issued a cyber security risk management document discussing cyber threats that face both public and private entities. The District’s IT personnel routinely assesses cyber risk as part of their normal operating procedures. We recommend the District continue to document their cyber risk assessment process in writing which should include the risk assessment process, the frequency of the risk assessment, how findings are to be communicated to the appropriate level of management, and how the process will be monitored.

**Corrective Action: The District in conjunction with our insurance broker have done a security audit which allowed us to add more security controls to our process and qualify for Cyber Suite Coverage enhanced coverage compared to our previous Cyber Liability coverage.**

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