

**PITTSFORD CENTRAL SCHOOL DISTRICT**

Audit Oversight Committee (AOC)

Wednesday, September 19, 2018

Room 410

3:30 pm

THOSE PRESENT: M. Pero, D. Kenney, L. Reister, T. Aroesty, V. Baum, P. Sullivan, L. Patterson, J. Cimmerer, T. Zuber

1. Ted Aroesty accepted the position of AOC chair for the 2018-19 school year.
2. There were no changes to the AOC Charter.
3. The minutes of the May 30, 2018 meeting were approved.
4. Tom Zuber from the firm, Ray Wager, P.C. reviewed the external audit for year ending June 30, 2018. The Executive Summary was passed out to those in attendance. He spoke on the following:
  - Basic financial statements
  - Drafts & internal control communications
  - 2<sup>nd</sup> yr. of GASB 75 (retiree health obligation)
  - More consistency in NYS & school districts
  - Able to compare liability
  - Corporate style financial statements
  - Bond rating agencies
  - Siting districts where the retiree health obligation is bigger than the budget

Mr. Kenney noted that NYS has indicated that they don't provide a reserve for districts to fund this liability for retiree health.

Mr. Zuber noted that the district had a positive fiscal year when he reviewed the Financial Executive Summary. He said that the district does an excellent job with the reserves, by developing, monitoring and communicating the reserves as well as having the reserve plan posted on the website. He made a special mention that other districts look at and refer to Pittsford's reserve plan online, as it does such a good job with it. Mr. Pero noted that the district doesn't just take funds out of the reserves annually, but also replenishes them annually. Mr. Zuber noted that total revenues were up this year over last. He also noted that the district spent about 95% of the overall budget. He mentioned that the district has a strong practice of the budgeting process and highlighted the consistency from one year to the next. Mr. Zuber talked about the variances in relation to the fund balance and noted that a surplus was generated overall. The following items were also noted:

- Bus purchase reserves
- School lunch program/operations
- Debt service fund
- Capital projects very active
- Net pension asset this year
- Total net position
- Retiree health, unfunded/overfunded pension system within the corporate style financial statement

Mr. Zuber again noted very positive results and said to continue to monitor the reserves.

Using layman's terms and having it readily available in the footnotes was discussed in addition to having the standard language in the report.

Mr. Zuber talked about the internal control communications form was handed out. He noted a couple of procedural recommendations: 1). Left over from last year – program deposits & getting them to the business office. 2). Cyber risk management – look at forming an internal risk assessment process.

Darrin Kenney mentioned that Dr. Jeff Cimmerer would be talking about our risk assessment/audit of our IT processes, potential weaknesses and corrective actions later in this meeting. He also noted:

- Working with Mike Leone to finish up last year’s special areas & finishing a draft report.
- How communications & documents move between payroll & the HR office to make sure we have appropriate segregation of duties & internal controls
- Look at extra-curricular clubs, trips and cash collections.

Laurie Patterson, internal claims auditor reviewed the Claims Audit report (handout provided)

- Report look remains the same.
- Daily, weekly & monthly activities remain the same.
- Food count @ MHS was conducted (Jan. – June).
- Payroll distribution was completed in March & April
- No new findings or actions. Reductions overall.
- Confirming Purchase Orders comparison chart reviewed showing reductions. Email from Leeanne was handed out showing the new form – Purchase Order Exception Report Form. Sample form in action was reviewed with the group.
- No Travel & Conference issues.

Dr. Cimmerer, reviewed the Technology Security Audit report

- External Vulnerability Assessment
  - Have about 300 routers in the district.
  - This report is for people outside the district trying to get into the routers not Wi-Fi.
  - Audit came out with a low to medium, closer to low risk in this area. We are doing a good job patching holes & closing gateways.
  - Mike Pero noted that the data will continue to be a conversation with parents. He read an email concerning electronic 3<sup>rd</sup> party participation & privacy. He said that we would need to strike a balance between security, convenience and protecting data.
  - 20% of data is housed off site in the cloud & 80% is on site.
  - Vetting & thorough scrutiny of companies is conducted before handing over and protected or sensitive information.
  - \$20,000/yr. for an annual scan depending on scope & choice of 3<sup>rd</sup> party.
  - 6 years since last report.
  - Dark Trace is cost prohibitive at \$30,000/month.
- Internal Vulnerability Assessment
  - Patching/updating very important.
  - District has over 16,000 network devices that are monitored daily.
  - From the random & suggested samples given – had a medium to high risk vulnerabilities.
    - Those vulnerabilities are 3<sup>rd</sup> party software – specifically Mac products like QuickTime, Adobe, Chrome and some browser products.
  - 400-500 printers in district are patched/flushed over the summer.
  - 98% of printers are networked.
  - Quotes were provided for 3<sup>rd</sup> party patch management.

Darrin Kenney noted a BOCES policy update for the budget development process. If okay, it can go to the BOE for approval.

Leeanne Reister spoke on the only outstanding item from the audit – cash collections & timeliness of deposits. She would like to audit cash collections at sporting events. Hoping to address the finding in the audit report with proactive measures to follow it through the system & see the timeliness of how it gets from the gate to the bank. Will report findings & recommendations back to AOC.

Darrin Kenney noted some additional informational items:

- Training scheduled for extra-curricular advisors
- Segregation of duties
- Proper internal control
- Efficiencies
- Would have paid about 1.5/1.6% more in interest rate on the bonds if we followed the Comptroller's guidance.

Having a newsletter to talk about all the great things that the district is doing was discussed.

Next meeting is February 6, 2019

Adjournment: 4:43 pm

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Deborah L. Carpenter". The signature is stylized and cursive.

Deborah L. Carpenter  
School District Clerk