



Dermody, Burke & Brown, CPAs, LLC

October 8, 2019

To the Board of Directors and Management of  
Altmar-Parish-Williamstown Central School District

In planning and performing our audit of the financial statements of Altmar-Parish-Williamstown Central School District as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Altmar-Parish-Williamstown Central School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Audit/Finance Committee, Board of Directors, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

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## **Cybersecurity**

New York State SHEILD Act (Stop Hacks and Improve Electronic Data Security) legislation was signed into law on July 25, 2019 to improve the current data security laws and comprehensively protect New Yorkers' personal information from a growing number of data breaches. Under the SHIELD Act, entities including school districts would have a legal responsibility to adopt "reasonable" administrative, technical and physical safeguards for sensitive data. Prudent measures would extend to monitoring cybersecurity controls in place at the school districts' service providers. Independent certification of data security measures that meet the highest standards, and small entities with good security practices will qualify as entities for safe harbor exemptions from state enforcement action.

Key points of the SHIELD Act include:

- Requires reasonable security for private information
- Safe harbor for compliant entities with ISO/NIST standards
- Flexible standards for small entities
- Requires reasonable safeguards
- Inadequate security is a violation of GBL Section 349 attached with civil penalties
- Requirements for reporting breaches to the Attorney General

Cybersecurity industry standards can be considered in the following five key elements:

- Cyber Risk Management and Oversight
- Threat Intelligence and Collaboration
- Cybersecurity Controls
- External Dependency and Management
- Cyber Incident Management and Resilience

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## **Cybersecurity – Continued**

Best practice guidelines dictate entities should:

- Configure systems and services to be secure
- Review, update, and test incident response and business continuity plans
- Conduct ongoing information security risk assessments
- Perform security monitoring, prevention, and risk mitigation
- Protect against unauthorized access
- Implement and test controls around critical systems regularly
- Enhance information security awareness and training programs
- Participate in industry information-sharing forums, such as the Financial Services Information Sharing and Analysis Center (FS-ISAC)
- Oversight of third party relationships with shared personal information

We recommend Altmar-Parish-Williamstown Central School District develop and implement a plan to continually minimize cybersecurity risks. In summary, the cybersecurity inherent risks include: IT connection types, products and services offered, and technologies utilized. Rapidly evolving cyber risks reinforce the need for all entities and their critical technology service providers to have appropriate methods for monitoring, sharing, and responding to threat and vulnerability information.

## **Budgeting and Forecast**

The 2018/2019 forecast projections in preparation of the 2019/2020 budget was communicated as a deficit to the Board of Education by former District personnel, when in fact the District reported a surplus of \$2,843,446. The surplus caused the District's unassigned fund balance to be over the statutory limit of 4%.

The New York State Comptrollers' Office has commented on the budgeting and fund balance issues in the recent past years. Although the District was responsive to the Comptrollers' Office audit with the corrective action plan, it needs to be continually reviewed.

We understand newly hired personnel in the District Office and the Board of Education are strengthening their work in this area, by consulting with Fiscal Advisors to prepare a five-year budget and fund balance projection, utilizing Forecast5 software and consulting with Transportation Advisory Services from the array of tools available.

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### **Reserves**

The New York State Comptrollers' Office has also commented on the excessive reserves and the proper use in recent past years.

We understand newly hired personnel in the District Office and the Board of Education are also strengthening their work in this area. The 2019/2020 budget included \$150,329 of unassigned fund balance in the general fund and \$729,865 from the debt service fund to be appropriated to next year's budget for the general and debt service expenditures, respectively. Repair reserves must be used for repairs and not capital projects.

We recommend the District prudently manage the finances with sound budget, forecasts and reserve strategies.

*Dermody, Burke & Brown*

**DERMODY, BURKE & BROWN, CPAs, LLC**