White Plains City School District

Initial Risk Assessment Report

December 5, 2022

JAMES E. DANOWSKI, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
MICHAEL J. LEONE, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

VINCENT D. CULLEN, CPA
(1950 – 2013)
PETER F. RODRIGUEZ, CPA
(RET.)

CULLEN & DANOWSKI, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Initial Risk Assessment Report

To the Board of Education and Audit Committee
White Plains City School District
White Plains, New York

We have performed the initial risk assessment of White Plains City School District (District) as required by Chapter 263 of the laws of New York, 2005 and as per our agreement of July 1, 2022.

This engagement is in accordance with auditing standards generally accepted in the United States of America and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have also considered the guidelines promulgated by the New York State Education Department in connection with such risk assessments.

Specifically, we performed the following:

- Reviewed our understanding of the critical business processes of the District.
- Identified the key risks based on our understanding of these business processes.
- Identified the stated controls that are currently in place to address those risks.

These procedures were accomplished through interviewing District management, accounting and other departmental personnel to determine the flow of accounting information and controls placed in operation. The scope of our engagement did not include testing the operating effectiveness of such controls.

Our procedures were not designed to express an opinion on the internal controls of the District, and we do not express such an opinion. Additionally, because of inherent limitations of any internal control, errors or fraud may occur and not be prevented or detected by internal controls. Also, projections of an evaluation of the accounting system and controls to future periods are subject to the risk that procedures may become inadequate because of changed conditions.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our audit, especially the Business Office personnel.

This report is intended solely for the use and information of the Board of Education (Board) and its Audit Committee and the management of the District, and is not intended to be and should not be used by anyone other than these specified parties.

Cullen & Danowski, LLP

December 5, 2022

T:\Office\50,000's\58650\Financial\2022\RA Report 22.docx

Chapter 263 of the laws of New York, 2005 requires most districts to create an internal audit function. The creation of this function requires districts to engage either a qualified audit firm or individual to make an initial risk assessment of the design of the district's internal controls; annually update this assessment; and, periodically test these controls for operational effectiveness and efficiency. This report addresses the first requirement (i.e., the initial risk assessment).

Internal controls are the checks and balances over the various processes or functions that comprise the operations of a district. One key element in any internal control system is the concept of **segregation of duties**. This concept ensures that one person cannot execute a transaction without at least one other individual checking his or her work. Of course, where segregation of duties is not feasible, the district can employ compensating controls.

Nevertheless, there are some important concepts that should be understood when reviewing internal controls. These concepts are:

- An internal control system is designed to provide reasonable but not absolute assurance in safeguarding the assets of the district.

- The concept of reasonable assurance recognizes that the cost of the internal control should not exceed the benefits derived.

- There are inherent limitations that should be recognized in considering the potential effectiveness of any internal control system, e.g., errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. More importantly, it is **collusion** that poses the greatest threat to any internal control system. If two employees collude in order to circumvent the controls set up by the district, they could perpetrate a fraud.

The initial risk assessment requires the internal auditor to obtain an understanding of both the inherent and control risks associated with the various functions within the district.

Inherent risk measures the potential for objectives not being attained at the desired level without consideration of the assessment of the internal control processes. By their very nature, many of the districts' processes have high inherent risk. This is a view that is shared not only by internal auditors, but also by the New York State Office of the State Comptroller.

Control risk measures the adequacy of internal controls designed to mitigate the inherent risk within the process. In this engagement, we have assessed the control risk based upon our interview process. Generally, an area is deemed to have a moderate level of control risk when there is an understanding that the function appears to have proper segregation of duties, adequate oversight, and other control elements in place. The testing of the controls, which will be done in a later phase, could support the lowering of the initial control risk assessment associated with individual functions and sub-functions. For example, the detailed testing validated that the controls related to the respective functions are in fact in place and working as designed thus the control risk level would be reduced from medium to low.

We have organized this report into two sections. The first section is a risk assessment table. In this table, we identify the processes or functions that we have reviewed. This table includes our initial assessment of the control risk associated with each process. As mentioned above, the control risk is based upon our initial risk assessment and has not been subjected to testing of those controls. Since the testing has not been done, it is important to note that this table should not be viewed as the final assessment of the District's control environment. This can only be done in conjunction with the subsequent reports related to control testing. The Risk Assessment Table includes our suggestions for functions to be tested during the first year. However, the decision of which processes to audit in detail is at the discretion of the Audit Committee.

The second section of this report consists of observations of key policies, procedures and controls related to the functions we reviewed. The observations have been considered in the assessment of the level of control risk. Also included in this section are recommendations for areas of potential improvement in the District's internal controls or operations. Some of the recommendations may require a reassignment of duties and/or an addition to District personnel. However, any enhancement of controls should be done after a careful cost-benefit analysis.

<u>Corrective Action Plan</u>

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan (CAP), approved by the Board, must be filed within 90 days of issuance with the New York State Education Department (NYSED).

The District should submit the CAP along with the respective Internal Audit Report via the NYSED portal.

(L=Low, M=Moderate, H=High)

Business Process Area	Date of Detailed Testing	Control Risk Current Year		Proposed Detailed Testing
Governance and Planning				
Governance & Control Environment		M		
Budget Development, Administration, and Fund Balance Management		M		
Accounting and Reporting				
Financial Accounting and Reporting		M		
Auditing		M		
Revenue and Cash Management				
Revenue Management		M		
Billings		M		
Collections and Posting of Receipts		M		
Cash and Investments Management		M		
Bank Reconciliations		M		
Payroll				
Payroll Accounting and Reporting		M		
Tax Filings and Reconciliations		M		
Payroll Distribution		M		
Human Resources				
Employment Recruitment and Hiring		M		
Employee Administration and Termination		M		
Employee Attendance		M		
Benefits				
Administration		M		
Payments and Cost Sharing		M		
Purchasing and Related Expenditures				
Purchasing System and Process		M		
Payment Process		M		
Credit Cards		M		
Grants and Special Education				
Grants Processing/Monitoring		M		
Special Education (Financial Operations)		M		✓
Billings to Other School Districts		M		✓

(L=Low, M=Moderate, H=High)

Business Process Area	Date of Detailed Testing	Control Risk Current Year		Proposed Detailed Testing
Facilities and Capital Projects				
Facilities Maintenance & Operations		M		
Capital Projects		M		
Capital Assets and Inventory				
Acquisition and Disposal		M		
Maintenance and Inventories		M		
School Food Service				
Sales Cycle and System		M		
Purchasing and Inventory		M		
Federal and State Reimbursements		M		
Free and Reduced Lunch		M		
Extraclassroom Activity Funds				
General Controls and Administration		M		
Cash Receipts			H	
Cash Disbursements		M		
Information Technology				
Governance		M		
Network Security		M		
Financial Application Security		M		
Disaster Recovery		M		
Student Related Data and Services				
Student Attendance Data		M		
Student Performance Data		M		
Student Transportation		M		
Student Safety and Security		M		

GOVERNANCE AND PLANNING

Governance and Control Environment

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The Board has promulgated policies within the Board Operations section (i.e., 2000 series) including *Board Operational Goals* - #2000, *School Board Elections* - #2120, *Board Officers* - #2220 and *Appointed Board Officials* - #2230, which establish a tone at the top in terms of expectations and compliance.

- The District's website includes several of the Board policies and provides access to all of the Board policies via BoardDocs that promote transparency within the District.

- The Board has established code of ethics and code of conduct policies (*School District Officer and Employee Code of Ethics* – #2160 and *Code of Conduct* - #5300).

- The Board members must complete the required fiscal training in accordance with Chapter 263 of the Laws of 2005 (legislation A6082-A and S5050-A) and Board policy *Board Member Training* - #2520.

- The appropriate standard reports are sent to the Board for review and approval (e.g., Treasurer Reports, Budget and Modification Reports, Extraclassroom Reports, etc.).

- There is an established Audit Committee that meets on a regular basis as required per the Five Point Plan that was established by State legislation in 2005.

- The District posts the annual audited financial statements and associated management letter and Corrective Action Plan (CAP), as required. The District also posts internal audit reports and CAPs, which enhances transparency.

- There have been several employee changes in key roles during the past year including the District Treasurer, Payroll Clerk and Human Resources (HR) staff.

Budget Development, Administration and Fund Balance Management

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District had an operating surplus for the fiscal year ended June 30, 2022.

- There is a Board policy (*Budget Transfers* - #6150) that authorizes the Superintendent to approve budget transfers within functional unit appropriations up to $25,000, and anything in excess of this amount requires the approval of the Board prior to processing the budget transfer.

- The Business Office prepares a comprehensive and detailed Long Range 5-year Plan that is updated annually and presented to the Board. This plan is used to facilitate the budget development process.

- Budget information is published on the District website for easy access by interested parties.

- The District has established procedures to prepare and provide fund balance projections to the Board.

- There has been enhancements related to the budget transfers where the process now uses DocuSign to approve these transactions electronically instead of manually using a standard form.

ACCOUNTING AND REPORTING

Financial Accounting and Reporting

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District utilizes nVision as the financial accounting system. This is a fully integrated system which provides efficient processes within appropriate levels of access and control. Purchasing, accounts payable, cash receipts, receivables and payroll transactions are posted directly to the financial reporting module.

- There are built-in controls within the nVision financial system to restrict accesses to appropriate personnel.

- There appears to be adequate segregation of duties related to the recording of transactions. The journal entries are reviewed and approved by either the Assistant Superintendent for Business and Operations or the Business Administrator.

- Various financial reports, including trial balances, revenue status reports, appropriation status reports and treasurer reports are reviewed by the Assistant Superintendent for Business and Operations.

Auditing (External, Internal, and Claims)

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- There are policies in place related to the claims auditor (*Claims Auditor* - #6650) and internal audit (*Internal Audit Function* - #6680.

- There is a Board policy *Audit Committee* - #6690 and an active Audit Committee as noted above.

- The District has been compliant with engaging the external and internal auditors to perform the required annual engagements. This includes the internal auditor completing a detailed review of information technology during the 2021-22 year.

- The District prepares a CAP related to the management letter received from the financial auditor and reports from the internal auditor as per Commissioner of Education Regulation §170.12.

- The Board is provided with monthly reports from the Claims Auditor for review by the Board members.

- The District has expanded the services of the Claims Auditor to include the review of payroll in addition to their review of all warrants.

REVENUE AND CASH MANAGEMENT

Revenue Management

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District prepares detailed revenue budgets, and actual revenues received are periodically compared with the budgeted revenues and any significant discrepancies found are researched to a conclusion.

Billings, Collections and Posting of Receipts

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:
- The District has procedures to deposit the receipts submitted to the Business Office on a timely basis.
- Accounts receivable activities are monitored by the Business Office and investigated on a regular basis.
- A Business Office clerk records the receipts in a log and a separate person records the receipts in nVision.
- The Business Office has adequate controls to verify the accuracy of billings related to health services, foster tuition and out-of-district tuition. Communication with operational departments and the Business Office appear adequate to provide appropriate segregation of duties.
- There is proper segregation of duties between the employee that performs the billing and the employee that collects the receipts.

Cash and Investment Management

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:
- The District has Board policies related to investments (*Investments* - #6240) and signatures on checks (*Authorized Signatures* - #6410).
- There are adequate procedures to ensure all bank accounts are authorized by the Board.
- There appear to be adequate controls over electronic banking, including wire transfers. Multiple staff are required to be involved with setting up new templates related to wire transfers.

Bank Reconciliations

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:
- Bank reconciliations are prepared by the District Treasurer or the Business Administrator each month on a timely basis and reviewed by the Assistant Superintendent of Business and Operations who signs-off on the reconciliations.
- Any bank reconciliation differences and discrepancies are researched until found and corrected.
- The monthly Treasurer's Report provided to the Board agrees to the bank statements and trial balance.
- There are standard procedures to monitor and address the outstanding checks in a timely manner.

PAYROLL

Payroll Accounting and Reporting

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- There is adequate segregation of duties related to adding employees to nVision where the Payroll Clerks are restricted to activating employees who are added by the HR staff.

- The Payroll Department reconciles contract payments from one payroll to the next to ensure accuracy of the changes and reviews the financial system-generated payroll change report each payroll cycle.

- Payments made for hourly employees or for overtime have approval by an appropriate supervisor before these payments are processed by the Payroll Department.

- The payroll review and certification is done by the Superintendent of Schools, or designee as per the *Payroll Procedures* - #6800 Board policy.

- The District uses TimePiece and standard payroll forms (e.g., overtime, hourly, etc.) to document the time worked by employees and requires that proper approvals be obtained prior to processing these payments.

- The District is moving to Informed K12 to digitize the approval process of timesheets for activities outside of TimePiece including curriculum writing and athletics (crowd control, timekeeper, etc.).

Finding and Recommendation:

Business Office Staff – We note that there are concerns about the increase in workloads for the Payroll Department staff and other positions in the Business Office due to the substantial increase in work to be completed over the years but without any change in the number of employees in the Business Office. Based on comparisons to similar sized districts with summer school activities (e.g., Mt. Vernon, Lakeland, etc.), the number of staff in their payroll offices is more than the District's Payroll Department that has two employees. We understand that this matter has been presented to the Finance Committee and the Board is aware.

1. We recommend that the District continue with their assessment regarding the staffing concerns within the Business Office to determine a resolution that may include additional resources and realignment of duties.

Tax Filings and Reconciliations

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The payroll process utilizes nVision, a sophisticated, robust system, which provides calculations for all tax withholdings and filings.

- The District reconciles tax return information to the District's general ledger.

- All required tax returns are filed on a timely basis.

Payroll Distribution

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District emails the direct deposit paystubs to the employees that resulted in operational efficiencies by eliminating the need to print these records and provide them to the schools for distribution.

- The District also encourages staff to use direct deposit as the option for receiving payroll and for employees receiving multiple payroll checks at the end of the school year. The Payroll Department processed over 4,000 total payroll checks for the last payroll cycle in June 2022.

- The District uses a Positive Pay file (to transmit payment information to the bank for the limited number of employees who receive payroll checks instead of being paid via direct deposit. This limits the exposure to unauthorized transactions being processed by the bank and makes the bank reconciliation process more efficient.

HUMAN RESOURCES

Employment Recruitment and Hiring

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- There are procedures to ensure that all new hires are Board approved prior to commencement of work.

- The financial system requires all new hires to be entered by the HR Department staff and appropriately restricts the Payroll Clerks from setting up new employees in the nVision financial system.

- A successful NYSED fingerprint clearance and background check is required to be obtained for all new employees as part of the screening process.

- The new hire package contains appropriate documentation that is provided to the employee.

- The HR Department has started cross training the staff to have more than one employee being able to complete tasks assigned to another employee, which helps in the event of staff absences.

Employee Administration and Separations/Terminations

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has protocols in place to perform observations and prepare performance reviews of the certified and non-certified staff.

- Employees are required to submit a signed resignation letter to the HR Department as part of the employee separation process.

- There are procedures to ensure that all employee separations from the District are Board approved.

- The HR Department formally notifies the Payroll Department of all separations via a personnel change form that is compiled from information directly pulled from nVision.

Findings and Recommendations:

Assessment of Staff Duties – We note that there has been a number of staff changes in the HR Department during the past few years that includes new employees and positions. However, we found that there are opportunities for improvement related to ensuring the accuracy of data and the timeliness of information.

2. We recommend that the District perform an assessment of the HR Department to determine if the staff roles and responsibilities are appropriate to ensure the accuracy of the data and timeliness of information. .

Professional Development – We found that HR Department handles the professional development and the evaluations/observations related to the Annual Professional Performance Review (APPR) requirements of the instructional staff. However, we find that these activities are usually assigned to the Curriculum and Instruction Office at other school districts.

3. We recommend that the District consider assigning the oversight and tasks related to the professional development activities to the Curriculum and Instruction Department, where these responsibilities are usually managed at other school districts.

Employee Attendance

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:
- The staff attendance data is maintained in nVision as the repository system for this information.
- The District utilizes the Frontline Absence Management program to facilitate the filling of teacher absences with substitute teachers and submitting time-off requests for preapproval.

Finding and Recommendation:

Attendance Imports into nVision – We note that the staff attendance processes could be enhanced because this information that exists in the Frontline Absence Management system is manually entered into the nVision system rather than utilizing an import file to update the data systematically. We understand that optimizing these staff attendance processes will also require refining the related policies and procedures.

4. We recommend that the District assess the policies and procedures related to the staff attendance protocols that includes optimizing the process by utilizing import files to update the nVision system with absence data from the Absence Management system. This would enhance efficiencies by eliminating the current manual processes.

BENEFITS

Administration

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The HR Department is responsible for managing and administrating the benefits activities of the District.

- The District includes all employee benefit entitlements within the collective bargaining agreements, and individual contracts for those employees who are not aligned with a bargaining unit and Board Policy for management and confidential (M&C) staff.

- There are standard procedures to adjust employee contribution amounts when the coverage changes (e.g., single to family) and when the insurance amounts change during the year (i.e., January), which includes reviews of the calculations by someone independent of administering benefits.

- The District is part of the Southern Westchester workers compensation consortium and they have changed the third party administrator from Wright Risk to NCAComp related to the administration of workers' compensation claims.

Benefits Payments and Cost Sharing

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The enrollee listings received from insurance providers were agreed to the enrollees listed in the financial system on a regular basis to ensure accuracy and completeness. However, we found that this process has not been completed recently.

- Forms received from District employees requesting changes to benefits are reconciled to the entries made into the nVision financial system each payroll cycle to ensure deduction amounts for benefits from employee paychecks are accurate related to these change requests. However, we found that this process has not been completed recently.

Finding and Recommendation:

Insurance Invoices – Reconciliations – We found that the procedures to reconcile the insurance invoices to the enrollee listings in the financial system and the payroll withholdings to ensure completeness and accuracy has not been performed recently, as noted above.

5. We recommend that the HR Department start performing the periodic reconciliations of the insurance invoices to the enrollees listed in the financial system and to the payroll withholdings on a regular basis to ensure accuracy and completeness.

PURCHASING AND RELATED EXPENDITURES

Purchasing System and Process

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has a Board policy related to purchasing activities (*Purchasing Policy* - #6700).

- The Board policies have been communicated throughout the District and are enforced by the Business Office.

- The District utilizes bids and state contracts to comply with the Purchasing Policy and to procure goods and services at appropriate prices.

- A full review of the documents supporting each purchase requisition, including a review of the budget codes selected, is performed by the Purchasing Agent and the assigned account clerk.

- The District has procedures related to open purchase orders (PO) that includes reviewing these items in advance of the fiscal year end to determine if the PO amount needs to be liquidated.

- There are designated requisitioners with access to nVision to enter the requisitions directly into the system.

Payment Process

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- There is segregation of duties between the Accounts Payable staff and the other District employees related to entering POs into the system, reviewing warrants, printing checks and sending the electronic positive pay file to the bank.

- The District utilizes an electronic positive pay system with the bank to ensure that the bank only honors checks as intended by the District.

- A log is utilized to ensure the check numbers per the nVision system are accurate, and to ensure all checks are accounted for.

- The supporting documentation such as bids, quotes, etc. are included with the voucher packets and scanned into the nVision system to facilitate the search and retrieval process.

Credit Cards

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has a Board policy related to procurement cards and store purchase cards (*Use of Procurement and Store Purchase Cards* - #8334).

GRANTS AND SPECIAL EDUCATION

Grants Processing and Monitoring

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The accounting system facilitates the accounting for grant expenditures in an efficient manner.

- Purchasing activities under grants are processed according to the District purchase policy and procedures.

- The District has assigned specific employees the responsibility of managing the consolidated and the non-consolidated grants.

- The communications between the employees managing the grants and the Business Office appear adequate and conducive for properly tracking, reporting and filing the grant activities.

Special Education

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has adequate procedures to ensure that contracts are reviewed and approved by the Board of Education prior to POs being processed.

- The District utilizes the Frontline Individualized Education Programs (IEP) Direct web-based program to facilitate the management of the special education students. This is the industry standard program to efficiently monitor student records.

- There are processes to ensure and document that the appropriate programs and services are being scheduled to the students as per the IEP.

- The District has procedures to verify that the related services agree to the students' IEPs at the start of each school year and extended school year, as well as periodically during the year to ensure that the required related services are being provided as per each student's IEP.

- The Special Education Department must review and approve all related service provider invoices prior to the Accounts Payable Department processing these payments.

- The Special Education Department works with BOCES Questar III to review and file the System to Track and Account for Children (STAC) and automated verification listing (AVL) forms to ensure that these forms are complete, accurate and filed timely with the NYSED.

- The Special Education Department is developing a Standard Operating Procedure Manual to document and memorialize the key processes performed by the staff, which will provide a useful reference guide, as well as, facilitate the training of new employees.

FACILITIES AND CAPITAL PROJECTS

Facilities Maintenance and Operations

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The Facilities Department schedules regular maintenance activities on major building systems on a daily, weekly or other periodic basis and uses the School Dude Preventative Maintenance program to facilitate the management of these activities.

- There are procedures to safeguard and monitor the inventory of supplies, equipment and tools managed by the Facilities Department.

- The District utilizes a web-based program (i.e., School Dudes FS Direct and Community Direct) to efficiently submit, track and monitor the facilities related requests.

- The Director of School Facilities & Operations is retiring next fiscal year and the District has set up a succession plan to facilitate the planned transition of this role to the Assistant Director.

Capital Projects

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The taxpayers approved propositions on the May 17, 2022 ballot related to the Bond vote and capital reserve authorization of the Master Plan totaling $97.75 million that includes improvements across the District.

- There are procedures to help ensure that the District does not overspend the budget for capital projects.

- There is a formal filing system with the state for the capital projects to ensure that all required documents are submitted to the state in a timely manner and maintained by the Assistant Superintendent for Business and Operations.

- The District plans regularly scheduled meetings to discuss the progress of the capital projects.

- There has been improvement related to accounting for the capital projects in the financial system by setting up account codes to properly record and track the transactions related to capital projects.

- The Assistant Superintendent for Business and Operations, Director of Facilities, architects and construction managers monitor the capital project activity that includes scheduled meetings and filings with the NYSED.

CAPITAL ASSETS AND INVENTORY

Acquisition and Disposal

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- There are Board policies related to capital assets that include the threshold amount for classifying purchases as capital assets (*Capitalization Policy* - #6645) and the requirement that all disposals are to be Board approved (*Disposal of District Property* - #6900).

- There are procedures related to the acquisition of capital assets that include placing sequentially numbered tags on the capital assets.

Maintenance and Inventories

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- There is a Board policy (*Capitalization Policy* - #6645 and *Capitalization Regulation* - #6645-R) related to capital assets that includes the threshold amounts for items classified as inventory, capital assets and GASB 34 items.

- The District maintains a capital asset database that includes the cost, date placed in service and depreciation amount of each asset.

- The Business Office provides the asset purchase information to Capital Region BOCES to ensure that all assets are tagged in accordance with Board Policy.

- The Technology Office is working with the LHRIC on setting up a new web-based program, Microsoft Intune, to manage the IT inventory more efficiently using an automated process. A complete physical inventory of all IT inventory was completed during the 2021-22 year in collaboration with the Lower Hudson Regional Information Center (LHRIC).

SCHOOL FOOD SERVICE

Sales Cycle and System

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District operates an in-house school food service program consisting of a Director of Food Service and food service workers.

- The Food Service program utilizes a point-of-sale (POS) system to facilitate the tracking, reporting and monitoring of school lunch activities. This also provides a systematic process for managing pre-payments and a way of keeping anonymity related to students receiving free or reduced lunch.

- The District has the following in place when there are sales and receipts being accounted for in the school food service program:

  − There is a Board policy (*Charging School Meals* - #8505) related to charging meals in the event that the student does not have money to pay for a meal.

  − There are procedures in place to ensure that the District accounts for all cash received at the POS terminals and that all cash collected is deposited.

  − The cashiers perform a "blind count", which is a strong control over the cash receipts.

  − The deposits collected at the schools are processed and deposited at the bank in a timely manner.

  − The District is appropriately charging sales tax for meals sold to adults.

  − As required, the minimum price charged for adult meals is equal to or greater than the price value of the reimbursement for a free meal to an eligible child.

Purchasing and Inventory

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:
- The food service program purchases comply with the District's purchasing policy and procedures.
- The District has procedures to properly safeguard the starting drawer money; inventory; supplies and equipment.
- There are procedures to track, monitor and control the inventory, which includes a monthly inventory count prepared by each cafeteria and performing periodic physical inventories.
- The District receives government commodities from the Office of General Services (OGS) to the greatest extent possible.

Federal and State Reimbursements

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:
- The Business Office ensures that the District is receiving the correct amount of reimbursements from the state and federal governments.
- The District maintains control over filing reimbursement forms with the state and federal agencies and procedures to validate the data for accuracy.

Free and Reduced Lunch

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:
- The District has a formal procedures related to the availability, application and notification of free and reduced price lunch (FRPL).
- The free and reduced letter along with the application are available at the schools and there is an online version accessible on the District's website.
- The District has a formal process to notify students and parents about free and reduced lunch and procedures to maintain documentation of free and reduced-price meal applicants.
- The District has identified an individual responsible for collecting, calculating and reporting free and reduced-price lunch data to the NYSED.
- The POS system allows for anonymity related to students receiving free or reduced meals.

EXTRACLASSROOM ACTIVITY FUNDS

General Controls and Administration

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has Board policy (*Student Fund Raising Activities* - #5251) and standard protocols related to extraclassroom activities.

- All clubs and advisors must be Board approved and the stipend amounts are defined in the bargaining unit contract with the teachers.

- The bank accounts are being reconciled monthly and these records are maintained by the central treasurers. The District is also compliant with submitting the Extraclassroom Activity Fund reports to the Board.

- The fundraising activities are required to be pre-approved as per the Board Policy.

Finding and Recommendation:

Enhance Operations – We found that there are opportunities for improvement related to extraclassroom activities at the District. We note that the Business Office has been addressing this need for enhancement that includes training sessions for the central treasurers and school administrators.

6. We recommend that the District continue with efforts to further enhance the extraclassroom activities to ensure compliance with the Board policies, District protocols and NYSED requirements. This includes the establishment of procedures to ensure the following:

    a) All accounts are bona-fide clubs (i.e., students are involved)

    b) Standard forms include the appropriate signatures (i.e., student treasurer, club advisor, etc.)

    c) Proper signatures are obtained on all forms before processing receipts or payments

    d) Receipts are properly supported to validate the deposit amount including profit and loss statements

    e) Balances in the club accounts are reasonable at the end of the school year

    f) Clubs maintain ledgers and they are compared to the Central Treasurer's records

Cash Receipts

Control Risk Level: High

Policies, procedures and controls considered to determine the level of control risk:

- There is an inherent high risk related to the collection of cash receipts within the extraclassroom activities with ensuring that all of the funds collected from various clubs are submitted to the central treasurers.

- The District procedures require the clubs to complete a standard form and to submit their receipts to the Central Treasurer in a timely manner.

- There is a safe at each school to safeguard the receipts until the funds are submitted to the Central Treasurers and deposited in the bank.

Cash Disbursements

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:
- The District is maintaining the sequence of check numbers for the Extraclassroom Activity Fund.
- Checks and other financial stationery are safeguarded against theft, loss and misuse.

INFORMATION TECHNOLOGY

Governance

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:
- There are Board policies (*Internet Safety* - #4526 and *Internet Safety Regulation* - #4526.1) that contain the acceptable uses related to the District's computer, network and internet.
- There were communications sent to the employees related to safe internet use that includes awareness of phishing scams.
- The District has implemented controls over staff and their activities, including access to and within the District's financial and student management systems.
- The HR Department Office places a helpdesk call to the Techology Office to inactivate an employee's user account upon separation from the District. In addition, there are periodic reviews of user reports by system administrators to ensure that accounts have been inactivated for all separated employees.
- The District has a Network Operating Center (NOC) in the High School that is temperature controlled and the NOC access is restricted to the approriate staff. The Technoloyg office has moved all servers offsite to the LHRIC or to the Cloud, so the NOC has been downsized significatnly reducing the risk of onsite server issues.
- The Technology Office utilizes a web-based program, Service Now, to manage the IT tickets in coordination with the LHRIC.
- The Director of Management & Information Systems is retiring next fiscal year and the District is setting up a succession plan to facilitate the transition of the retirement of the current director and the hiring of the new director.

Network Security

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:
- The District utilizes virus protection software, which is installed on all servers and workstations and is updated as needed.
- There are appropriate procedures in place for authorizing modifications to the firewall configuration.
- The District has a firewall at each connection point and secondary fire walls with servers. In addition, all firewall activities/events are logged.

- The Technology Office is setting up a phishing campaign as part of the IT training for the staff and arranging for penetration testing by a third party.

- The District has procedures in place to document, store and review firewall logs.

- The District is utilizing Tools4Ever to systematically update (i.e., add or disable) user accounts in Active Directory (District network) and nVision based on employee changes entered in nVision.

- The HR Department provides the Technology Office with a list of separated employees every 6 months during the middle of the year and at the end of the year that is used to ensure that user accounts for these employees have been properly inactivated.

Financial Application Security

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District restricts the nVision financial system access when setting up a user account to grant permissions based on the employee's job duties.

- There are proper controls over changes to the nVision user accounts (e.g., activating, inactivating and revisions to permissions).

- The nVision server is housed at the LHRIC with financial data backed up by Rockland BOCES as a secondary control.

- The Business Office has reviewed the nVision user accounts to ensure that the permissions are aligned with the employee's job duties and established procedures to perform this review annually.

Disaster Recovery

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has developed a disaster recovery plan that the Technology Office updates annually.

- The District has daily backup procedures to store the critical system data at secure offsite locations. The District also relies on the LHRIC to maintain the servers and perform backups at their location.

STUDENT RELATED DATA AND SERVICES

Student Attendance Data

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has a comprehensive Board policy (*Attendance* - #5100) covering student attendance.

- The District maintains a record of each pupil's presence, absence, tardiness and early departure in a register of attendance.

- The District has established controls over the input and access to data related to student attendance (user accounts and permissions).

- The District utilizes the Infinite Campus electronic student management system for collecting, calculating, summarizing and reporting attendance data to the NYSED.

- The District records attendance for students on a period-by-period basis to comply with new NYSED reporting requirements.

- Pupil attendance records are reviewed by the principal of every school building and the administrator in charge of the District.

Student Performance Data

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has assigned employees to be responsible for the accumulation of data for dropouts, test scores, enrollment and cohorts.

- The District has an electronic student management system with records for each student enrolled and for collecting, calculating, summarizing and reporting performance data to the NYSED.

- The administrators review data by comparing prior years and similar schools to assess the reasonableness of the data prior to its certification and submission to the NYSED.

- District staff review data published on the electronic School Report Card and other reports for accuracy, and to make improvements in student performance.

- The District has established controls to ensure student performance data (i.e., BEDS, enrollment, attendance, test results, etc.) is secure, input is reliable and output is accurate.

Student Transportation

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- There are formal criteria related to the eligibility for transportation and other information covering student transportation as listed on the District's website.

- The District has policies and procedures to determine students that need to be transported (non-public and special education) and eligibility of expenses for transportation aid.

- The District procures transportation services in accordance with General Municipal Law and purchasing policies through competitive bidding or requests for proposal.

- The District has adequate procedures to ensure timely filings of the District's transportation contracts to the Commissioner of Education for approval.

- The District maintains documentation to support/account for information reported to the NYSED including contracts, contract extension forms, bidding information, rider lists and mileage records.

Student Safety and Security

<u>Control Risk Level:</u>   Moderate

<u>Policies, procedures and controls considered to determine the level of control risk:</u>

- There have been several initiatives to enhance the safety and security protocols at the District, including the designation of a single main entrance at each building for visitors and installation of a visitor management system at each school building.

- The District has linked the student ID card reader to the Infinite Campus student management system to require the students at the secondary schools to scan their cards to access the lunch and study hall areas during their designated periods based on their schedules.

- The District has several Board policies and procedures to promote a safe school environment.

- The District has adopted comprehensive District-wide, building-level school safety plans on crisis intervention and emergency response.

- The District has a comprehensive public school safety program that includes the three basic components: building conditions surveys, five-year capital facilities plan and monitoring system procedures.

- The District has a system in place to track and report information about violent and disruptive behavior.

- The District complies with requirements related to fire, lock down, evacuation and sheltering drills.

- The District complies with Public Employees' Safety and Health rules to provide a safe workplace for school employees.