



William Floyd Union Free School District

**Annual Risk Assessment Update
Pertaining to the Internal Controls
of District Operations**

June 2022

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

The Board of Education
William Floyd Union Free School District

We have performed the procedures enumerated below, agreed to by the William Floyd Union Free School District (the "District"), solely to assist the District. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We have updated our June 2021 Risk Assessment by performing certain internal audit procedures pertaining to the time period starting July 1, 2021 through June 30, 2022. The updated Risk Assessment and related internal audit plan concentrates on the following key internal control areas:

- Governance and Planning
- Budget Development
- Accounting and Reporting
- Revenue and Cash Management
- Grants
- Payroll
- Human Resources
- Benefits
- Purchasing and Related Expenditures
- Facilities Maintenance
- Capital Projects
- Fixed Assets
- Food Service
- Extraclassroom Activity Fund
- Information Systems
- Cybersecurity
- Student Data Management
- Pupil Personnel Services
- Transportation
- Security and Safety
- Insurance / Risk Management

Our engagement is limited in scope and will be confined to our agreed-upon procedures. We will not be conducting an audit or review of the District's financial statements and therefore we will not express an opinion or any other form of assurance on them.

At the end of our engagement, we will present the results of applying the agreed-upon procedures in the form of our findings in a report. Our accountants' report should be used only for the intent of the original users of this report and will include a statement indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. As such, using this report for anything other than the original intent of the agreed-upon procedures could mislead the readers. You must notify us immediately if the original users of the report change.

Very truly yours,

Nawrocki Smith LLP
May 4, 2023



William Floyd Union Free School District

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RISK ASSESSMENT OVERVIEW

This Risk Assessment report provides a presentation of our view of the school district's risk pertaining to its financial operations. It gives the District's administration the information necessary to help optimize its overall performance. The report identifies, expresses, and prioritizes the key program risks so that the District's administration can focus on those areas most critical to its success. This analysis is used to define the District's risk profile. It will provide an overview of the risks facing the District's operations.

In accordance with the laws of New York, 2005, Chapter 263, all school districts and BOCES were required to establish an internal audit function no later than July 1, 2006 and be in operation no later than December 31, 2006. This function should include, at a minimum, development of a risk assessment of district operations, including but not limited to the following:

- A review of financial policies, procedures, and practices.
- An annual review and update of such risk assessment.
- Annual testing and evaluation of one or more areas of the District's internal controls.
- Preparation of reports which analyze significant risk assessment findings.
- Recommended changes for strengthening controls and reducing identified risk; and specifying time frames for implementation of such recommendations.

Pursuant to Section 170.12 – Regulations of the Commissioner of Education – School District Financial Accountability, each school district must prepare a corrective action plan, approved by the Board of Education in response to findings to final reports issued by the internal auditor. This plan should include expected dates of implementation and should be filed with the New York State Education Department.

INTERNAL AUDIT OBJECTIVES

The objectives of our engagement are as follows:

- Develop an understanding of the critical business processes of the District within each functional area.
- Identify and qualify risks based on the understanding of the business processes and stated business rules.
- Identify stated controls that are currently in place to address those risks and ascertain if they are operating effectively.
- Recommend improvements in internal controls.

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SCOPE AND METHODOLOGY

The Board of Education has engaged Nawrocki Smith as the District's internal auditor. In compliance with New York State Laws, we have performed an annual update to the District risk assessment with respect to policies, procedures, and internal controls pertaining to District operations. The procedures applicable to the annual update of the District's risk assessment were performed during the twelve months ending June 2022 and were carried out in order to determine an internal audit plan for the fiscal year 2022/2023 and thereafter. This risk assessment will be updated annually to reflect any changes in the current control environment and the existing internal audit plan.

Our risk assessment consisted of the following methodology:

- Perform interviews of administration and other appropriate personnel.
- Document procedures within key Functional Areas.
- Identify key controls and perform audit tests of those controls.
- Assess the effectiveness of the key controls.
- Identification and review of organization structure.
- Analysis of risks that are a threat to the achievement of objectives.
- Create a risk profile and internal audit plan.

In addition to the above procedures, we have also evaluated and considered the following within our overall risk assessment:

- District policies and procedures.
- Recent focus of State Comptroller Audits.
- Board of Education/Audit Committee Meetings.
- Materiality to Financial Statements.
- Changes in management or key personnel.
- Financial reports provided to the Board.
- External auditor management letters.
- District corrective action plans.
- Organizational chart and job descriptions.

INTERNAL AUDIT COVID PANDEMIC CONSIDERATIONS

As Districts are challenged in carrying out certain internal control procedures during the COVID pandemic, our risk assessment included the following environmental considerations:

- Has Management's risk tolerance increased, allowing for a lower level of control effectiveness?
- Have staff changes (reorganization, furloughs, and terminations) impacted controls, processes, performance, and increased opportunities for potential fraud?
- Have segregation of duty conflicts been managed with changes in people and processes?
- Has Management assessed the impact on key processes and controls including technology?
- Have there been any material changes in internal controls over financial reporting that will require disclosure in the previous and upcoming audit report?

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INTERNAL AUDIT RISK ASSESSMENT UPDATE SUMMARY

We have analyzed twenty-one (21) Business Process areas within the District and have developed an internal audit plan based on our assessment of each area. Each of the twenty-one (21) Business Processes contains multiple categories for which an extensive cycle analysis will be performed during the proposed time period noted within the risk rating and internal audit plan. The plan, as presented, will be revised each year based on the annual risk assessment update and events/requests that occur during the year which impact the priority of future internal audit services.

The results of our initial risk assessment are summarized below and in the tables presented on pages 5 through 7. We have utilized a “Low,” “Moderate,” and “High” control risk rating assessment scale of the organization.

<u>CURRENT YEAR RATINGS</u>		<u>CHANGE FROM PRIOR YEAR</u>	
<u>Rating</u>	<u>2021/2022</u>	<u>Category (*)</u>	<u>Count</u>
High	- 0.00%	“High” to “Low”	- 0.00%
Moderate	11 11.96%	“High” to “Moderate”	- 0.00%
Low	81 88.04%	"Moderate" to “Low”	2 16.67%
Total	92 100.00%	“Low” to “Moderate”	10 83.33%
		“Moderate” to “High”	- 0.00%
		Total	12 100.00%

Our June 2022 risk assessment update contains seven (7) recommendations, as follows:

<u>Business Process</u>	<u>Recommendation(s)</u>
Accounting and Reporting	1
Human Resources	1
Benefits	1
Facilities Maintenance	1
Extraclassroom Activity	1
Cybersecurity	1
Safety & Security	1
Total	7

The District has acted on the eight (8) prior risk assessment report recommendations, as follows:

	<u>Complete</u>	<u>In-Process</u>	<u>Not Started</u>	<u>Total</u>
Recommendations	5	3	-	8

We have summarized below areas we recommend the District consider for the selection of one (1) intensive cycle analysis to be performed during the fiscal year 2022/2023:

<u>Cycle Review:</u>	<u>Other 2022/2023 Planned Internal Audit Services:</u>	
• Grants	• Key Control/Other Testing (See “T” categories on Pages 5-7)	• Cybersecurity Cycle Recommendations Follow-Up
• Capital Projects	• External Audit Corrective Action Plan Monitoring	• Annual Risk Assessment Update as of June 2023
• Pupil Personnel Services		• Other Internal Audit Services at the Request of the District/BOE

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Risk Rating and Internal Audit Plan

√ = Internal Audit Services Provided
★ = Business Cycle Review Complete

X = Proposed Business Cycle Review
T = Proposed Key Control Testing

	Business Process	Business Process Categories	RISK			YEAR OF SERVICE		
			Inherent	Control		Prior	22-23	Subsequent
				20-21	21-22			
1	Governance and Planning	1 Governance Environment	H	L	L			X
		2 Control Environment / Policies & Proc.	H	M	L	★		X
2	Budget Development	3 Budget Development	H	L	L			X
		4 Budget Monitoring & Reporting	H	L	L	√		X
3	Accounting & Reporting	5 Financial Accounting and Reporting	H	L	L	√	T	X
		6 External/Internal/Claims Auditing	H	L	M	√		X
		7 Fund Balance Management	H	L	L	★		X
4	Revenue and Cash Management	8 Real Property Tax	M	L	L	★		
		9 State Aid	H	L	L	★		
		10 Out of District Tuition/Reimb. Exp.	M	L	L	★		
		11 Use of Facilities	L	L	L	★		
		12 Donations	M	L	L	★		
		13 Vending Machines	H	L	L	★		
		14 Cash Receipts	H	L	L	★	T	
		15 Cash & Investment Management	H	L	L	★		
		16 Petty Cash	L	L	L	★		
		17 Bank Reconciliations	H	L	L	★		
		18 Online Banking	H	L	L	★		
		19 Accounts Receivable	H	L	L	★		
5	Grants	20 General Processing	H	L	L	★	X	
		21 Grant Application	M	L	L	★	X	
		22 Allowable Costs & Expenditures	H	L	L	★	X	
		23 Monitoring	M	L	L	★	X	
		24 Reporting	H	L	L	★	X	
6	Payroll	25 Payroll Disbursements	H	L	L	★		
		26 Overtime Reporting	H	L	L	★		
		27 Payroll Accounting & Reporting	H	M	M	★		
		28 Payroll Tax Filings	H	L	L	★		
		29 Payroll Reconciliation	H	L	L	★		
7	Human Resources	30 Employment Requisition/Hiring	H	L	M	★		
		31 Personnel Evaluation	H	L	L	★	T	
		32 Termination	H	L	L	★		
		33 Employee Attendance	H	L	L	★		

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Risk Rating and Internal Audit Plan (Continued)

√ = Internal Audit Services Provided	X = Proposed Business Cycle Review
★ = Business Cycle Review Complete	T = Proposed Key Control Testing

	Business Process	Business Process Categories	RISK			YEAR OF SERVICE		
			Inherent	Control		Prior	22-23	Subsequent
				20-21	21-22			
8	Benefits	34 Eligibility	H	L	M	★		
		35 Benefit Calculations	H	L	M	★		
		36 Patient Protection & Affordable Care Act	H	L	L	★		
		37 Retiree Benefits	H	L	L	★		
		38 ERS/TRS	H	L	L	★		
9	Purchasing and Related Expenditures	39 PO System & Vendor Database	H	L	L	★		
		40 Purchasing Process	H	L	L	★		
		41 Payment Processing	H	L	M	★		
		42 Employee Reimbursements	H	L	L	★		
		43 Credit Cards	H	L	L	★		
10	Facilities Maintenance	44 Facilities Maintenance/Work Orders	H	L	M	★	T	X
		45 Staff Supervision	M	L	L			X
		46 Preventive Maintenance	M	L	L			X
		47 Coordination with Outside Vendors	M	L	L			X
11	Capital Projects	48 Construction Planning & Monitoring	H	L	L	★	X	
		49 Capital Project Funding & Payments	M	L	L	★	X	
		50 Recordkeeping & Reporting	M	L	L	★	X	
12	Fixed Assets	51 Inventory/ Capitalization Policy	H	L	L	★		
		52 Acquisition and Disposal	H	L	L	★		
		53 Inventory Process & Recordkeeping	H	L	L	★		
13	Food Service	54 Sales Cycle and System	M	L	L	★		
		55 Inventory and Purchasing	M	L	L	★		
		56 Free & Reduced Meals	M	L	L	★		
		57 Federal and State Reimbursement	H	L	L	★		
		58 Financial Reporting & Monitoring	H	L	L	★		
14	Extraclassroom Activity Fund	59 General Controls	H	L	M	★		
		60 Revenue	H	L	L	★		
		61 Expenditures	M	L	L	★	T	
		62 Reporting	M	L	L	★		

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Risk Rating and Internal Audit Plan (Continued)

√ = Internal Audit Services Provided	X = Proposed Business Cycle Review
★ = Business Cycle Review Complete	T = Proposed Key Control Testing

	Business Process	Business Process Categories	RISK			YEAR OF SERVICE		
			Inherent	Control		Prior	22-23	Subsequent
				20-21	21-22			
15	Information System	63 Governance	H	L	L	★		
		64 Inventory	H	L	L	★		
		65 Network Security	H	L	L	★		
		66 Application Security	H	L	L	★		
		67 Physical Security	H	L	L	★		
		68 Disaster Recovery	H	L	L	★		
16	Cybersecurity	69 General Controls	H	L	M	★		
		70 Information & Asset Security	H	L	M	★		
		71 Vulnerability Assessment	H	L	L	★		
		72 Incident Response & Recovery	H	L	L	★		
17	Student Data Management	73 Registration & Enrolment	H	L	L	★		
		74 Student Attendance	H	M	L	★		
		75 Student Performance	H	L	L	★		
		76 Student Eligibility	H	L	L	★		
18	Pupil Personnel Services	77 Budgeting and Planning	H	L	L	★	X	
		78 STAC Reimbursement	H	L	L	★	X	
		79 Medicaid Reimbursement	H	L	L	★	X	
		80 RFP and Contracts	H	L	L	★	X	
19	Transportation	81 Fleet Inventory and Maintenance	H	L	L	★		
		82 Bus Routing and Planning	H	L	L	★		
		83 Labor and Supervision	H	L	L	★		
		84 Contract Management	H	L	L	★		
		85 Federal and State Reimbursement	H	L	L	★		
20	Safety & Security	86 Plan Development & Strategy	H	L	L	√		X
		87 Building Access & Security System	H	L	M		T	X
		88 Compliance and Incident Reporting	H	L	L	√		X
		89 Safety & Security Monitoring	H	L	L			X
21	Insurance / Risk Management	90 General	H	L	L			X
		91 Policy Management	H	L	L			X
		92 Claims Reporting	H	L	L			X

Inherent Risk - Inherent risk pertains to the overall school district industry. Inherent risk is the risk of a material misstatement that may occur assuming the absence of internal controls.

Control Risk - Control risk pertains specifically to the William Floyd Union Free School District. Control risk is the risk that a material misstatement will not be detected and corrected by Management's internal controls on a timely basis.

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RISK ASSESSMENT OBSERVATIONS AND RECOMMENDATIONS

Current Year Observations and Recommendations

Accounting & Reporting

1. Although the Business Office has posted the District's annual external audit reports on the District's website, it has not posted its internal audit reports or corrective action plans.
 - *According to the Office of State Comptroller's School District Website Transparency guidelines, the Business Office should post the District's annual internal audit reports and corrective action plan on the District's website. This will assist the District in its efforts to communicate its financial information to the public.*

Human Resources

2. The Human Resources Department does not effectively utilize the position control function within nVision. The lack of position controls creates a risk for the District not being able to track vacant positions or whether employees in the same positions move to different buildings.
 - *The District should consider providing training to the Human Resources Department to utilize the position control function in nVision. Position control tables can benefit the Human Resources Department and Business Office in identifying any vacant positions by department and buildings for contractual and annualized employees and managing the start and end dates of their appointments when an employee changes a building. This will assist the Human Resources Department and Business Office improve its oversight controls of the District's employee headcount for budget development purposes.*

Benefits

3. The District's oversight over the enrollment of employees and their dependents can be improved. It does not actively review the employee benefit and health deductions information maintained in nVision to the benefits census reports provided on the District's health benefit carriers. We noted certain instances that employees received health benefits but did not contribute to their premiums through payroll deductions and that the start and end date of employees' coverage did not agree between the nVision and Carrier benefits census reports.
 - *The Health Benefits Coordinator should reconcile the benefits census reports provided by the health insurance carriers to the nVision employee benefits and deduction reports. The reconciliation process should include reviewing the coverage's start and end dates for active and retired employees and their dependents. Any benefits coverage terms and premiums changes should be investigated, and supporting documentation should be obtained. The review results should be documented and communicated to the Assistant Superintendent for Business and Assistant Superintendent for Human Resources.*

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Facilities Maintenance

4. The Facilities Department has a substantial number of work orders for which the status remains open in HIPPO. The Facilities Department has not obtained the required information and documentation from the building level Supervisor/Staff to update the status and close the work orders.
 - *We recommend the Facilities Department explore the software capabilities in HIPPO and develop a monthly reporting process for the building level Supervisors/Staff to submit documentation and information regarding the status of open work orders. This will assist the Facilities Department in monitoring outstanding work orders and managing its workload and personnel in an efficient manner. This will increase the District's internal controls over its resources and work order system.*

Extraclassroom Activity Fund

5. The District's Extraclassroom Activity Fund general controls can be improved by designating a Faculty Auditor for the Extraclassroom Activity Fund to independently audit and reconcile the Central Treasurer's and Club Advisors' account ledgers.
 - *According to the NYSED Extraclassroom Activity Fund guidelines, the District should appoint a Faculty Auditor to review all Extraclassroom Activity Fund transactions to ensure that all collections and disbursements are supported, approved, and processed accurately. The Faculty Auditor should be an individual distinct and separate from other appointed officers. The Faculty Auditor should reconcile monthly The Central Treasurer and Club Advisors' ledgers to ensure they are complete and accurate. This will enhance the District's oversight of internal controls over the Extraclassroom Activity Fund and ensure compliance with State Education Guidelines.*

Cybersecurity

6. Although the Information Technology Department has developed policies and disaster recovery and incident response plans, it needs improvement in developing documented procedures to comply with the NIST cybersecurity framework.
 - *We recommend that the Information Technology Department develop documented procedures regarding inventory and controls of hardware and software assets, data protection, secure configuration of enterprise assets and software, continuous vulnerability management, and audit log management. Such a process manual will allow for an annual internal review of processes and serve as a training document for the department.*

Safety & Security

7. The Business Office removes building access to former employees upon notice from the Human Resource Department.
 - *The District should consider having its internal auditors perform a complete reconciliation of the building access records to the nVision active employee directory to confirm that only current active employees have access to District buildings.*

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Status of Prior Year Risk Assessment Recommendations

We have performed follow-up internal audit services applicable to our previously issued risk assessment update report dated June 2021. The services we performed included observing and evaluating the implementation status of the District’s action plan in respect to our prior risk assessment recommendations. The June 2021 risk assessment update identified eight (8) recommendations within three (3) distinct areas. The District has completed or taken action on the eight (8) recommendations as follows:

<u>Business Process</u>	<u>Complete</u>	<u>In-Process</u>	<u>Not Started</u>	<u>Total</u>
Revenue & Cash Management	1	-	-	1
Payroll	1	3	-	4
Student Data Management	3	-	-	3
Total	5	3	-	8

Revenue & Cash Management

- The Business Office and/or Board of Education should review whether unused petty cash accounts are necessary.

Status as of June 2022: Complete

Payroll

- We recommend the Payroll Department utilize the narratives attached to the internal audit report to prepare a departmental process manual regarding accounting and reporting, processing, disbursement, and tax filing for the Payroll Department. This will allow for an internal annual review of processes as well as serve as a training document for the department.

Status as of June 2022: In Process

- The District should establish a process whereby the payroll deductions for health insurance, flexible spending, life insurance, and disability insurance coverage entered into nVision by the Benefits Supervisor are reviewed and verified by an employee separate from the benefits function. This will assist the District in improving its oversight controls over the benefit deductions entered into nVision and will reduce the risk of erroneous benefit deductions occurring.

Status as of June 2022: In-Process

- We recommend the District update the contents of its employee exit checklist and identify the types of payroll payments that may be processed after the former employee’s last day of employment. Based on this information, the Payroll Department should reactivate the former employee’s status in the payroll module of nVision when the District is ready to process the final payments. Subsequent to the final payroll payment, the Human Resources Department should verify and document that former employees have been deactivated from both human resources and payroll modules.

Status as of June 2022: Complete

- The District should consider conducting an employee payroll audit for all buildings. A periodic verification of the legitimacy of direct deposits and payroll checks may detect unauthorized or fictitious

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employees. It may also detect the continuation of terminated or retired employees on the payroll. The District may accomplish this recommendation internally once a year when distributing the annual form W2- Wage and Tax Statements or have its internal auditors conduct this audit periodically.

Status as of June 2022: In Process

Student Data Management

- In addition to the existing forms, the Schools, Central Office, and Student Information Department should develop formal documented guidelines regarding the processing and monitoring of student enrollment, student attendance, and student performance reporting within the District's student data management system. The documented procedures should be periodically reviewed to ensure that responsibilities are adequately performed at the District. The narratives and flowcharts attached to this report should serve as guidance to the District's development of documented procedures.

Status as of June 2022: Complete

- The District should consider exploring the capabilities of the Infinite Campus application to automatically generate written notifications of student absences at established intervals. This will assist the District in collaborating with the parents and developing plans to improve student attendance.

Status as of June 2022: Complete

- It is recommended that the Student Data Management Department extend the marking periods from five (5) business days to ten (10) business days to allow teachers ample time to enter their student grades and minimize the number of grade changes entered by the Guidance Department.

Status as of June 2022: Complete

EXHIBITS

- Exhibit I* History of Internal Audit Services
- Exhibit II* Internal Audit Plan for 2022/2023



William Floyd School District

2022/2023 INTERNAL AUDIT PLAN

**(Based upon June 2022 Risk Assessment Update)
Exhibit II**

Cycle Reviews (Selection of One Area)

Status

- Grants
- Capital Projects
- Pupil Personnel Services

Planned for Nov-22

Key Control Testing Areas

Status

- Journal Entries
- Cash Receipts
- Employee Evaluations
- Use of Facilities Work Orders
- Extraclassroom Activity Fund Expenditures
- Safety & Security – Building Access

Planned for Jan-23
Planned for Jan-23
Planned for Jan-23
Planned for Jan-23
Planned for Jan-23
Planned for Jan-23

Additional Internal Audit Services

Status

- Annual Risk Assessment Update as of June 2022
- Retirement and Severance Payout Monitoring
- External Audit 21/22 Corrective Action Plan Monitoring
- Cybersecurity Cycle Recommendations Follow Up
- Annual Risk Assessment Update as of June 2023
- Other Internal Audit Services at the Request of the District

Draft Complete
As Requested
Planned for Jun-23
Planned for Jun-23
Planned for Jun-23
As Requested