

White Plains City School District

Risk Assessment Update Report

December 18, 2023

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Risk Assessment Update Report

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

We have performed the annual risk assessment update 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, 2023.

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:

- Developed an 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 and 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 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 18, 2023

WHITE PLAINS CITY SCHOOL DISTRICT

Introduction

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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 second requirement, which is an annual risk assessment update.

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 required the internal auditor to obtain an understanding of both the inherent and control risks associated with the various functions within the District. The risk assessment update requires the internal auditor to identify the changes in procedures, policies, personnel, and systems that may have an impact on these risks and possibly alter the initial risk assessment's level of control risk.

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. The testing of the controls, which is performed during the detailed testwork, could support the lowering of the initial control risk assessment associated with individual processes and sub-functions.

We have organized this report into the following 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 assessment of the control risk associated with each process. There are two control risk columns to reflect the prior year risk assessment level and the current year risk assessment level based on the results of the risk assessment update as well as the detailed testwork performed for selected processes. **Since the testing of controls has not been done for all processes, it is important to note that this table should not be viewed as the final assessment of the District's control environment.** The Risk Assessment Table also includes our suggestions for processes to be tested during the coming year. However, the decision of which processes to review in detail is at the discretion of the Audit Committee.

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The second section of this report consists of any changes from the prior year risk assessment related to key policies, procedures and/or controls of the functions we reviewed. Also included in this section are any new recommendations and the status of any prior year recommendations (note that this text is in *italics*), for areas of potential improvement in the District’s internal controls or operations. The status of prior year recommendations from the following reports was addressed in this year’s risk assessment:

Report Type	Issue Date	Area(s)
Initial Risk Assessment	December 5, 2022	District-wide

***Note:** the Detailed Testing Report dated September 5, 2023 related to the financial operations of special education was recently issued and those recommendations will be included in the next years' 2024-25 Risk Assessment Report.*

The changes and recommendations have been considered in the assessment of the level of control risk. 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.

Corrective Action Plan

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan (CAP), approved by the Board of Education, 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.

WHITE PLAINS CITY SCHOOL DISTRICT

Risk Assessment Table

December 18, 2023

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

Business Process Area	Date of Detailed Testing*	Control Risk			Proposed Detailed Testing
		Prior Year	Current Year		
Governance and Planning					
Governance & Control Environment		M	M		
Budget Development, Administration, and Fund Balance Management		M	M		
Accounting and Reporting					
Financial Accounting and Reporting	06/30/2018 - PA	M	M		
Auditing		M	M		
Revenue and Cash Management					
Revenue Management		M	M		
Billings	06/30/2018 - PA	M	M		
Collections and Posting of Receipts		M	M		
Cash and Investments Management		M	M		
Bank Reconciliations		M	M		
Payroll	06/30/2017 - PA				
Payroll Accounting and Reporting		M	M		
Tax Filings and Reconciliations		M	M		
Payroll Distribution		M	M		
Human Resources	06/30/2017 - PA				
Employment Recruitment and Hiring		M	M		
Employee Administration and Termination		M	M		
Employee Attendance		M	M		
Processing of Information to Payroll		M		H	
Benefits	06/30/2020 - PA				
Administration		M		H	
Payments and Cost Sharing		M		H	
Purchasing and Related Expenditures	06/30/2021 - PA				
Purchasing System and Process		M	M		
Payment Process		M	M		
Credit Cards		M	M		
Grants and Special Education					
Grants Processing/Monitoring / Aid	06/30/2014 - PA	M	M		
Special Education (Financial Operations)	09/05/23	M	M		
Billings to Other School Districts	09/05/23	M	M		

* Indicates the issuance date of detail testing report related to that area. PA – Prior Auditor’s report.

WHITE PLAINS CITY SCHOOL DISTRICT
Risk Assessment Table (Continued)
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(L=Low, M=Moderate, H=High)

Business Process Area	Date of Detailed Testing*	Control Risk				Proposed Detailed Testing
		Prior Year		Current Year		
Facilities and Capital Projects						
Facilities Maintenance & Operations	06/30/2013 - PA	M		M		
Facilities Usage	06/30/2016 - PA	M		M		
Capital Projects		M		M		
Capital Assets and Inventory						
Acquisition and Disposal		M		M		
Maintenance and Inventories		M		M		
School Food Service	06/30/2019 - PA					
Sales Cycle and System		M		M		
Purchasing and Inventory		M		M		
Federal and State Reimbursements		M		M		
Free and Reduced Lunch		M		M		
Extraclassroom Activity Funds	06/30/2010 - PA					
General Controls and Administration		M		M		
Cash Receipts			H		H	
Cash Disbursements		M		M		
Information Technology	06/30/2011 - PA					
Governance		M		M		
Network Security		M		M		
Financial Application Security		M		M		
Disaster Recovery		M		M		
Student Related Data and Services						
Student Attendance Data		M		M		
Student Performance Data		M		M		
Student Transportation		M		M		
Student Safety and Security		M		M		

* Indicates the issuance date of detail testing report related to that area. PA – Prior Auditor’s report.

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**KEY CHANGES FROM THE PRIOR YEAR'S RISK ASSESSMENT RELATED TO POLICIES, PROCEDURES
AND/OR CONTROLS**

Governance and Planning

- There have been several employee changes in key roles including the Benefits Clerk, and an addition of a full-time clerk in the Payroll Department. In addition, there is one new Board member who joined the Board effective July 1, 2023.
- The District continues to be active with their ongoing review of the Board policies, which includes revisions and new policies as needed.
- The District continues to have an active Audit Committee that meets with the auditors and the District prepares the Board-approved Corrective Action Plans as required per the Commissioner of Education Regulation §170.12(e)(4).

Accounting and Reporting

- The District had a planned operating deficit in the General Fund of \$19,753,634 for the year ended June 30, 2023 for the spending of the capital reserve funds, which decreased the General Fund's total fund balance from \$130,293,460 to \$110,539,826. This was the result of the total financing uses of \$36,753,933 exceeding the excess of revenues over expenditures of \$17,000,299 mainly due to the approved operating transfer out of the General Fund to the Capital Projects Fund of \$39,050,000.
- The Business Office assessed the accounting of their subscription based information technology agreements (SBITA) in compliance with the new Governmental Accounting Standards Board (GASB) Statement No. 96.
- The District's budget for the 2023-24 year includes a Junior Accountant position in the Accounting Office that still needs to be filled.

Payroll

- There has been an increase in the number of full-time employees from 2 to 3 staff in the Payroll Department, as noted above, which was included in the budget for the 2022-23 year. In addition, the District's budget for the 2023-24 year includes an additional payroll position that the Business Office is currently assessing.

Human Resources

- The District has posted the labor law notices on the District's website, as required by the amended New York Labor Law Section 201, effective December 16, 2022.

Grants and Special Education

- Refer to the Cullen & Danowski's Internal Audit Report on Detailed Testing dated September 6, 2023 related to the financial operations of special education for information about the detailed review of this area.

Purchasing and Related Expenditures

- The District has set up electronic ordering with Educational Data, which is a vendor that is used to facilitate the purchasing process by handling bids for various items including school supplies.

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Facilities and Capital Projects

- The District has started the various projects during the 2022-23 year related to the bond vote and capital reserve authorization approved by the voters on May 17, 2022. The projects included ventilation, filtration, and air conditioning; High School track replacement; and several renovations, improvements, and educational program space at school buildings. The funding included federal and state grants of \$13.65M; use of the 2019 Capital Reserve Funds of \$12.65M and \$11.4M; the 2022-23 General Fund operations budget of \$1.5M; and authorization to issue Serial Bonds of \$60M.
- The District has implemented a new electronic system, Master Library, to facilitate the approval, tracking, and monitoring of processes related to work orders, preventative maintenance, and facilities usage.

Information Technology (IT)

- The District continues to require all staff to complete training courses related to safe internet use that includes awareness of phishing scams and Education Law 2D.

Student Related Data and Services

- The District continued with enhancements related to its safety and security infrastructure including new lockdown and surveillance systems, as well as integrating the fire alarm system with the public address system.

CURRENT OBSERVATIONS AND RECOMMENDATIONS

HUMAN RESOURCES

1. Overtime

Risk Assessment Update – 2023

We note that there is opportunity related to the administration of overtime, since we found that there is a lack of formal protocols to ensure consistency and standardization with managing the overtime activities.

We recommend that the District improve the procedures related to overtime by formalizing the administration of overtime by including the criteria in a Board Policy, bargaining unit contracts and/or District protocols to establish consistent and standard protocols. We understand that the District is currently addressing the overtime processes with the goal of formalizing this item during the 2023-24 year.

STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (OPEN ITEMS)

HUMAN RESOURCES

2. Employee Administration – Assessment of Staff Duties

Initial Risk Assessment – 2022

We recommended that the District perform an assessment of the Human Resources (HR) Department to determine if the staff roles and responsibilities are appropriate to ensure the accuracy of the data and timeliness of information.

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Risk Assessment Update 2023

We found that the District has been assessing the staff roles and responsibilities of the staff in the HR Department. We recommend that the District continue these efforts with the goal of ensuring the accuracy of the data and timeliness of information, since there continues to be instances when data is incorrect, incomplete, or data is not sent timely to the Payroll Department. It is critical that data be entered and updated timely and accurately to ensure that the employees are paid the correct amount.

3. Employee Administration – Professional Development

Initial Risk Assessment – 2022

We recommended 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.

Risk Assessment Update 2023

We note that the District is in the process of evaluating the time and staffing resources currently allocated to managing Professional Development and Annual Professional Performance Review (APPR), and considering the assignment of these duties to remain in the HR Department or transfer to the Curriculum and Instruction Department.

4. Employee Attendance – Attendance Imports into nVision

Initial Risk Assessment – 2022

We recommended 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.

Risk Assessment Update 2023

We found that the HR Department and Information Technology Office still need to complete the evaluation of the current policies and procedures to develop a more efficient process to utilize the capabilities of the District's software to submit this data electronically from the building and department level.

EXTRACLASSROOM ACTIVITY FUNDS

5. General Controls and Administration – Enhance Operations

Initial Risk Assessment – 2022

We recommended 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)

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- 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

Risk Assessment Update 2023

We note that the Business Office has been working with the administration to provide appropriate training to the new administrators and central treasurers. In addition, the District has establishing standardized forms and procedures to be used in the each of the buildings and updated the Board's Policy on Extraclassroom Activity Fund, which has been submitted to the Policy Committee for the first reading. However, we found that the District still needs to implement the following items from above based on our interviews, feedback from staff and review of the financial statements:

- c) Proper signatures are obtained on all forms before processing receipts or payments – mainly at the Eastview Middle School*
- e) Balances in the club accounts are reasonable at the end of the school year – review of the June 30, 2023 financial statements noted there were 9 accounts with balances exceeding \$10,000 (6 at the High School and 3 at the Highlands Middle School); we recommend that the District establish procedures to routinely monitor the balances in the club accounts to identify significant amounts (e.g., over \$10,000) and to develop a plan for reducing the high balance in the club account as necessary*
- f) Clubs maintain ledgers and they are compared to the Central Treasurer's records – the District still needs to develop procedures to ensure clubs are maintaining their own ledgers and comparing to the Central Treasurer's records*

STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (CLOSED ITEMS)

PAYROLL

Payroll Accounting and Reporting – Business Office Staff

Initial Risk Assessment – 2022

We recommended 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.

Risk Assessment Update 2023 (This item is now closed)

We found that the District has added a full-time payroll clerk in the Business Office, who started in June 2023, as a result of their assessment. We understand that the Business Office will continue evaluating the staff and consider realignment of duties, which includes an additional payroll position within the District's budget for the 2023-24 year as noted above.

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BENEFITS

Benefits Payments and Cost Sharing – Assessment of Staff Duties

Initial Risk Assessment – 2022

We recommended 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.

Risk Assessment Update 2023 (This item moved to another report)

We have been engaged to perform a detailed testing engagement related to benefits administration and will include this item in that Detailed Testing Report.