

South Orangetown Central School District
Risk Assessment Update Report
For the Period Ending
October 31, 2023

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Board of Education
South Orangetown Central School District
160 Van Wyck Road
Blauvelt, New York 10913

We have completed our risk assessment update of the South Orangetown Central School District (the “District”) for the period ending October 31, 2023. The objectives of the engagement were to assist the Board of Education in ensuring that the District’s risks are identified and that appropriate internal controls are in place to mitigate those risks.

In developing our risk assessment, we have performed the following procedures:

- Gained an understanding of the internal controls for the following key business processes through inquiry and observation:
 - Governance and Planning
 - Accounting and Reporting
 - Revenue and Cash Management
 - Purchasing and Related Expenditures
 - Payroll, Human Resources, and Benefits
 - Facilities, Equipment, and Inventory
 - Student Services
 - Student Related Data and Services Program
 - Information Technology
- Identified risks that could inhibit the District in achieving its goals;
- Reviewed Board of Education policies to determine if all legally required polices have been adopted and reflect current fiscal operations of the District;
- Evaluated the design and effectiveness of controls and performed tests of controls to verify controls are working as intended; and
- Identified key areas or opportunities that can strengthen the existing internal control structure.

It is ultimately the District’s responsibility to review and assess the internal control structure address the adequacy of the risk management system.

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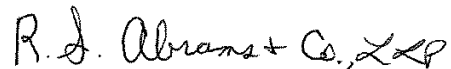
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In performing our engagement, we relied on the accuracy and reliability of information provided by District personnel. We have not audited, examined, or reviewed the information, and express no assurance on it.

We would like to acknowledge the courtesy and assistance extended to us by personnel of the District. We are available to discuss this report with the Board or others within the District at your convenience.

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

Very truly yours,

A handwritten signature in cursive script that reads "R.S. Abrams & Co., LLP".

R.S. Abrams & Co., LLP
November 16, 2023

**South Orangetown Central School District
Risk Assessment Update Report
For the Period Ending October 31, 2023**

Executive Summary

This report serves to address the first requirement of Chapter 263 of the laws of New York, 2005, which requires all school districts in New York to establish an internal audit function. The internal audit function requirement includes the engagement of a qualified audit firm or individual to assess risk surrounding the design and effectiveness of the District's internal control system, provide annual updates to the initial risk assessment, and test the design and operating effectiveness of these controls on a periodic basis.

This risk assessment is intended to provide management with information to enhance and strengthen the District's internal control system relating to their financial processing and reporting operations.

We developed our initial risk assessment by obtaining an understanding of the design and implementation of the District's internal control structure by performing interviews with key District personnel, observations, and performing tests over key controls, where necessary.

Additionally, we have reviewed the results of reports issued by our firm during the fiscal year ending June 30, 2023, including reports on Grants Administration, Student Services, and the Risk Assessment Update, to determine if relevant controls have been put in place based on those reports.

We considered the following risks in our risk assessment and its potential effect on the District's internal control system:

- **Inherent Risk** - the risk associated with the nature and type of transactions processed due to complexity, materiality, and quantity of the transactions outside of the District's internal control structure.
- **Control Risk** – the risk that the internal control system is not adequately designed to prevent or detect errors or irregularities on a timely basis.

We reviewed the processes noted in our Risk Assessment Letter and have assigned the business processes the following ratings:

- **High Risk (H)** – We identified control deficiencies in the internal control system that require immediate attention. We recommend the District review and correct these deficiencies.
- **Moderate Risk (M)** – We identified areas where we believe the internal control structure can be improved. We recommend the District review these recommendations and consider implementing these recommendations as necessary.
- **Low-Risk (L)** – We did not identify any control deficiencies or recommendations in which the internal control system can be improved.

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Process Review Summary and Proposed Business Processes

The following represents the business process where we have provided internal audit services and the business processes we are proposing.

Extensive System Reviews:

- Period Ending June 30, 2016: Capital Projects
- Period Ending June 30, 2017: Human Resources
- Period Ending June 30, 2018: Payroll and Benefits
- Period Ending June 30, 2019: Transportation and Information Technology
- Period Ending June 30, 2020: Human Resources
- Period Ending June 30, 2021: Purchasing & Related Expenditures and Facilities and Capital Projects
- Period Ending June 30, 2022: Information Technology
- Period Ending June 30, 2023: Grants and Student Services (STAC and Medicaid)

Extensive Systems Proposed:

- Period Ending June 30, 2024: Facilities Maintenance and Purchasing and Related Expenditures
- Period Ending June 30, 2025: Capital Projects and Capital Assets and Inventory

**South Orangetown Central School District
Assessment of Risk and Testing Plan
For the Period Ended October 31, 2023**

Legend	
✓	Extensive system process review completed
•	Risk process evaluated
■	Proposed extensive process review
H = High M = Moderate L = Low	

BUSINESS PROCESSES & SUBPROCESSES	Control Risk		Audit Plan		
	2023	2024	2022	2023	2024
GOVERNANCE & PLANNING					
Governance and Control Environment	L	M		•	•
Strategic Planning	L	L		•	•
Budget Development and Budget Administration	L	L		•	•
ACCOUNTING AND REPORTING					
Assessing Financial Condition	L	L		•	
Financial Accounting and Reporting	L	L		•	
Auditing	L	L		•	
State Aid and Grants	L	L		✓	
REVENUE AND CASH MANAGEMENT					
Cash Receipts and Revenue	L	L	•		•
Cash and Investment Management	L	L	•		•
PURCHASING AND RELATED EXPENDITURES					
Purchasing	L	M			■
Accounts Payable and Cash Disbursements	L	L			■
Travel and Conferences	L	L			■
PAYROLL, HUMAN RESOURECS, AND BENEFITS					
Payroll Processing and Related Expenditures	L	L		•	•
Human Resources	L	L			•
Benefits	L	L	•		•
FACILITIES, EQUIPMENT, AND INVENTORY					
Facilities Maintenance	L	L			■
Capital Projects	L	L			
Capital Assets and Inventory	L	L		•	
STUDENT SERVICES					
Student Transportation	L	L	•		
Food Service	L	L		•	
Extraclassroom Activities	L	L	•		
STUDENT RELATED DATA AND SERVICES PROGRAM					
Student Attendance	L	L	•		
Reliability of Student Performance Data	L	L	•		
Student Security and Safety	L	L	•		
INFORMATION TECHNOLOGY					
Policies and Governance	L	L	✓		
Data Backup and Recovery Processes	L	L	✓		
Data Security and Cybersecurity Risks	L	L	✓		

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FINDINGS AND RECOMMENDATIONS

GOVERNANCE AND PLANNING

GOVERNANCE AND CONTROL ENVIRONMENT

Control Risk Level: **Moderate (M)**

Reason for Risk Level: We have assessed the level of control risk as moderate for the following reason:

- The District does not have the following legally required Board policies:
 - 4321.12 Timeout and Physical Restraint (All Students) as required by Education Law §4402(9) and 8 NYCRR §19.5.
 - 4533 Safe Mentoring as required by Social Services Law §390-e.
 - 9320 Drug-Free Workplace as required by 41 USC §§8101-8106 (Drug-Free Workplace Act).
 - 9520.6 Policy on the Rights of Employees to Express Breast Milk in the Workplace as required by Labor Law §206-c.

Recommendation: We recommend the District review legally required Board policies published by the New York State School Board Association semi-annually and ensure all legally required policies have been adopted.

PURCHASING AND RELATED EXPENDITURES

PURCHASING

Control Risk Level: **Moderate (M)**

Reason for Risk Level: We have assessed the level of control risk as moderate for the following reasons:

- We noted there was no evidence of the Claims Auditor's review on the voucher package itself. Although, the Claims Auditor signs the final warrant, providing evidence of their review, we do not believe the current methods of documentation is adequate to support all outgoing voucher packages were subject to sufficient scrutiny to assure their accuracy prior to their inclusion on a warrant or schedule of claims.
- We noted there was one instance of a faculty member, who was able to initiate an order prior to obtaining purchasing agent approval. In addition, we noted this faculty member was able to change the shipping address from a District owned building to a personal address.

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Recommendations: We recommend the District's Claims Auditor sign or stamp each voucher package providing evidence of their review. We also recommend the District establish guidance with vendors to not process orders without a purchase order and to not ship goods/services to non-district owned buildings.

REVENUE AND CASH MANAGEMENT

CASH RECEIPTS AND REVENUE

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the following reasons:

- We noted there was adequate segregation of duties between the employees who perform bank reconciliations and who record cash receipts into the accounting system.
- All outgoing wire transfers must go through two levels of approval before funds are released.
- Bank reconciliations are performed in a timely manner and are approved by an appropriate supervisor.
- The District actively monitors accounts receivable and does not have long outstanding receivables (greater than one year) on the accounts receivable subsidiary ledger.

Recommendations: No recommendations noted.

CASH AND INVESTMENT MANAGEMENT

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the following reasons:

- The District Treasurer monitors collateral requirements monthly and actively reconciles cash balances to third party collateral statements.
- The District only invests in high interest savings accounts.
- The District has Policy #6240 *Investments*, which is reviewed annually by the Board and is up to date.

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Recommendations: No recommendations noted.

PURCHASING AND RELATED EXPENDITURES
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ACCOUNTS PAYABLE AND CASH DISBURSEMENTS

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the following reasons:

- The District actively monitors the accounts payable subsidiary ledger and actively follows up on payables that have been outstanding for 90 days or greater.
- All claims are presented to the independent claims auditor, who performs an independent review of each claim.
- A Board appointed the Treasurer or Deputy Treasurer to sign all outgoing checks.
- The Board has appointed two individuals to sign checks in case one employee is absent or unavailable.

Recommendation: No recommendations noted.

TRAVEL AND CONFERENCES

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the following reasons:

- Attendance at conferences is approved in advance by the Board or the Superintendent to whom this responsibility has been delegated.
- The District has adopted the federal or state travel, lodging, and meal reimbursement rates for expenses incurred for District business. All claims for reimbursement of travel expenses must be in writing, itemized, and supported with original receipts, for official District business, audited, and approved for payment.
- The District does not offer travel advances.
- The District limits the reimbursement of travel and meal expenses to those that are actual, necessary, reasonable, and in accordance with the District's policy.

Recommendation: No recommendations noted.

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PAYROLL, HUMAN RESOURCES, AND BENEFITS

PAYROLL PROCESSING AND RELATED EXPENDITURES

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the following reasons:

- Prior supervisory approval is required for overtime.
- The District has written collective bargaining agreements outlining compensation and benefits for employees who are not covered by collective bargaining agreements.
- Each employee must submit a time sheet for review and approval by a supervisor or management.
- Each payroll register is reviewed, approved, and certified by an official designated by the Board to ensure the payments are accurate and justified.
- The District requires and maintains written authorizations for changes in salaries, and employment.
- The District requires periodic evaluations for all of its employees.
- All payroll changes are authorized and documented.
- Duties are adequately segregated whereby the individual processing payroll transactions is different from the individuals with responsibility for the general ledger function, and reconciliation of the payroll bank account.

Recommendation: No recommendations noted.

FACILITIES, EQUIPMENT, AND INVENTORY

FACILITIES MAINTENANCE

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the following reasons:

- The District has a long-range plan for educational facilities and equipment replacement purchases.
- The District routinely performs building condition surveys to ensure buildings are up to code.

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Recommendation: We recommend the District consider monitoring its energy use, consider ways to reduce energy, and consider the use of energy performance contracts.

CAPITAL PROJECTS

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the following reasons:

- The District's voters have approved the construction of new facilities in the District.
- The District is aware of the requirements for planning, implementing, and completing school construction projects and has procedures to ensure it obtains the necessary approvals, from the facilities department, and building permits for school construction projects.
- The District has systems in place to prevent the cost of construction, including change orders from exceeding the amount authorized by the voters.
- The District is aware of the facilities department's documentation and filing requirements, including those necessary to generate building aid.

Recommendation: No recommendations noted.

CAPITAL ASSETS AND INVENTORY

Control Risk Level: **Low (L)**

Reason for Risk Level: We have assessed the level of control risk as low for the following reasons:

- An annual physical inspection is performed to determine that all assets are present, in usable condition, located in the assigned area, and accurately recorded in the District's capital asset records, including the inventory system.
- The District has an individual assigned with the responsibility for maintaining the inventory system.
- All assets are marked or tagged with ownership identification decals.
- The District has a policy for the use of district owned assets, such as computers, phones, and vehicles that limits the use of such assets to official school district business, only.
- The District has a computerized system to track its capital assets inventory.

Recommendation: No recommendations noted.