Pelham Union Free School District

Risk Assessment Update Report

October 3, 2025

PELHAM UNION FREE SCHOOL DISTRICT
Pelham, New York

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Risk Assessment Update Report

To the Board of Education and Audit Committee
Pelham Union Free School District
Pelham, New York

We have performed the annual risk assessment update of the Pelham Union Free School District (District) as required by Chapter 263 of the Laws of New York, 2005 and as per our agreement of November 27, 2024.

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, or the *International Standards for the Professional Practice of Internal Audit* issued by the Institute for Internal Auditors. 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 performed by interviewing District management, as well as 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 engagement, especially the Business Office personnel.

This report is intended solely for the use and information of the Board of Education (Board), 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

Port Jefferson Station, New York
October 3, 2025

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Chapter 263 of the Laws of New York, 2005 requires most school districts to create an internal audit function. The creation of this function requires districts to engage either a qualified audit firm or an 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 when 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 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 on our interview process. The testing of the controls, which is performed during the detailed test work, 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's risk assessment level and the current year's risk assessment level based on the results of the risk assessment update as well as the detailed test work 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 processes to be tested during the coming year. The decision of which processes to review in detail is at the discretion of the Audit Committee.

The second section of this report consists of any changes from the prior year's 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)***
Risk Assessment	June 20, 2024	District Operations
Memorandum	June 19, 2024	Assist with Written Procedures

Note: *Cullen & Danowski, LLP assisted the District in reviewing, updating, and creating written procedures for the staff in lieu of detailed testing for the 2023-24 year.*

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 personnel duties within the District and/or a financial investment. However, any improvement of controls should be done after a careful cost-benefit analysis is completed.

Corrective Action Plan

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 system.

PELHAM UNION FREE SCHOOL DISTRICT
Risk Assessment Table
October 3, 2025

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

Business Process Area	**Date of Detail Testing***	**Control Risk** Prior Year			Current Year			**Proposed Detail Testing**
		L	M	H	L	M	H	
Governance and Planning								
Governance Environment	(Memo)		M			M		
Control Environment			M			M		
Strategic Planning		L			L			
Budget Development			M			M		
Budget Administration			M			M		
Accounting and Reporting								
Assessing Financial Condition			M			M		
Financial Accounting and Reporting			M			M		
Auditing		L			L			
Financial Oversight			M			M		
Fund Balance Management			M			M		
Revenue and Cash Management								
Real Property Tax			M			M		
State Aid			M			M		
Medicaid			M			M		
Out of District Tuition			M			M		
Use of Facilities		L			L			
Donations			M			M		
Collection & Posting of Receipts	01/28/19	L			(1)	M		
Cash Management			M			M		
Investment Management			M			M		
Petty Cash		L			L			
Bank Reconciliations	04/10/23	L			L			
Grants and Special Education		L			L			
General Processing/Monitoring	06/01/22	L			L			
Grant Application	06/01/22	L			L			
Allowable Costs	06/01/22	L			L			
Cash Management	06/01/22	L			L			
Reporting and Monitoring	06/01/22	L			L			
Compliance	06/01/22	L			L			
Payroll, HR and Related Benefits								
Payments to Employees	02/19/18	L			(1)	M		
Allocation of Expenditures	02/19/18	L			(1)	M		
Payroll Withholdings	04/10/23		M			M		
Payroll - Budget Account Codes	10/03/25		M			M		
General Employee Administration	10/03/25		M			M		
Hiring/Separation of Employees	10/03/25		M			M		
Employee Attendance	05/05/20		M			M		
Employee Benefit Administration	12/22/20	L			L			
Employee Benefits - Insurance Contributions	10/03/25		M			M		

* Indicates the issuance date of a detail testing (DT) report for that area.
(Memo) Cullen & Danowski, LLP reviewed written procedures in the business, human resources and special education offices with a Memorandum issued on June 19, 2024.
(1) The change from low to moderate risk is based on the passage of time since the DT was performed several years ago.

PELHAM UNION FREE SCHOOL DISTRICT
Risk Assessment Table (Continued)
October 3, 2025

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

Business Process Area	**Date of Detail Testing***	**Control Risk** Prior Year			Current Year			**Proposed Detail Testing**
Purchasing and Related Expenditures								
PO System (2)	04/10/23	L			L			
Payments Outside PO System	05/05/20	L			L			
Purchasing Process	05/05/20	L			L			
Allocation of Expenditures	05/05/20	L			L			
Payment Processing	05/05/20	L			L			
Travel and Conferences			M			M		
Credit Cards		L			L			
Facilities								
Facilities Maintenance	12/14/15		M			M		
Construction Planning	12/14/15		M			M		
Construction Monitoring	12/14/15		M			M		
Construction Completion	12/14/15		M			M		
Fixed Assets								
Acquisition and Disposal	11/14/14		M			M		
Inventory	11/14/14		M			M		
School Environment								
Safety and Security			M			M		
Student Transportation								
Fleet Maintenance			M			M		
Risk Management			M			M		
Personnel Compliance			M			M		
Facilities Maintenance and Security			M			M		
Food Service								
Federal and State Reimbursement			M			M		
Sales Cycle and System			M			M		
Inventory and Purchases			M			M		
Eligibility Verification			M			M		
Extraclassroom Activity Fund								
General	01/28/19		M			M		
Cash and Cash Receipts	01/28/19		M			M		
Expenditures and Purchasing	01/28/19		M			M		
Inventories	01/28/19		M			M		
Student Related Data								
Tracking Student Attendance			M			M		
Student Performance Data			M			M		
Information System								
Governance	12/22/20		M			M		
Network Security	12/22/20		M			M		
Financial Application Security	12/22/20		M			M		
Other Application Security	12/22/20		M			M		
Disaster Recovery	03/24/17	L			(1)	M		
Financial Operations	03/24/17	L			(1)	M		

* Indicates the issuance date of a detail testing (DT) report for that area.
(1) The change from low to moderate risk is based on the passage of time since the DT was performed several years ago.
(2) Review of supporting documentation for purchases.

KEY CHANGES FROM THE PRIOR YEAR'S RISK ASSESSMENT RELATED TO POLICIES, PROCEDURES, AND/OR CONTROLS (related to the 2024-2025 year)

Governance and Planning

Board and Personnel Changes

- There were two Board member changes and a new Board President and Board Vice President, as well as several changes in key roles since the prior year including the Assistant Superintendent for Teaching and Learning, Executive Director for Human Resource and Leadership, High School Principal, and Hutchinson Elementary School Principal.

Policy Update

- The District has been actively reviewing and updating Board policies as needed, including *Policy #1610 – Annual District Meeting and Election/Budget Vote, Policy #5220 – District Investments, Policy #5410 – Purchasing, Policy #6130 – Evaluation of Personnel: Purposes, Policy #6190 – Workplace Violence Prevention Policy Statement,* and *Policy #7316 – Digital Device Use Policy.*

Workplace Violence Prevention Compliance

- The District was compliant with the New York State Department of Labor (NYS DOL) expansion of the Workplace Violence Prevention Law (§27-b of Labor Law) to elementary and secondary public education facilities. The District completed a required workplace violence policy statement, a workplace risk evaluation, and a workplace violence prevention program.

Audit Committee and Corrective Action Plans

- The District has an active Audit Committee that meets with the auditors, as required, and prepares the Board-approved Corrective Action Plans as per Commissioner of Education Regulation §170.12(e)(4).

Payroll

Retirement System Reporting

- The District has finished preparing for the New York State and Local Retirement System (NYSLRS) system requirements to set up additional payroll account codes to facilitate this new reporting.

Internal Audit Report on Detailed Testing

- Refer to the Cullen & Danowski's *Internal Audit Report on Detailed Testing dated October 3, 2025,* related to payroll (budget account codes) for information about the detailed review of this area.

Human Resources

Internal Audit Report on Detailed Testing

- Refer to the Cullen & Danowski's *Internal Audit Report on Detailed Testing dated October 3, 2025,* related to human resources (general employee administration and hiring/separation of employees) for information about the detailed review of this area.

Employee Benefits

Internal Audit Report on Detailed Testing

- Refer to the Cullen & Danowski's *Internal Audit Report on Detailed Testing dated October 3, 2025,* related to employee benefits (insurance contributions) for information about the detailed review of this area.

Food Services

School Food Service Operating Results

- The food service program operated at a planned deficit of ($145,854) for the year ended June 30, 2024, which decreased the fund balance amount in the Food Service Fund from $317,187 to $171,333. This amount of fund balance was within the six-month average expenditure level allowable by federal regulations 7CFR Part 210.14(b).

Information Technology

Staff Training and Awareness

- The District continues to require all staff to complete training courses related to safe internet use that include awareness of phishing scams and Education Law 2D. In addition, the District performs phishing campaigns with required training should an employee click on the phishing email.

Disaster Recovery Plan

- The District is working with the LHRIC (Lower Hudson Regional Information Center) and a third party vendor to create a comprehensive Disaster Recovery Plan starting in the 2025-26 year.

Safety and Security

Safety and Security Training and Enhancements

- The District continued to provide the staff with safety and security related training. In addition, the District installed additional surveillance cameras at various locations and access cards can be deactivated remotely.

School Safety Plan Compliance

- The District was compliant with the New York State Education Department (NYSED) expansion of the School Safety Plan requirements (Section 155.17 of the Regulations of the Commissioner of Education). There are protocols in place where the District provides parents with one week's notice of any upcoming lockdown drill as required.

CURRENT OBSERVATIONS AND RECOMMENDATIONS

PAYROLL

Periodic Payroll Audits

Risk Assessment Update – 2024-25

We found that the District does not perform periodic verification payroll tests (e.g., requiring employees to collect their payroll statements in person, review of a payroll listing by the building or department level administrator, etc.) to confirm individuals being paid through payroll are current active employees of the District that are entitled to earnings.

We recommend implementing procedures requiring building principals or department heads periodically (e.g., September, January, and June) review an nVision system-generated payroll report of employees in their buildings to confirm that the individuals listed are current active employees of the District.

INFORMATION TECHNOLOGY

Penetration/Vulnerability Tests

We found that the District has not conducted formal network penetration and vulnerability testing to assess any potential cybersecurity risks. Performing these comprehensive intrusion tests on a regular basis is essential to safeguarding the integrity of the District's IT infrastructure. In addition, we discovered that the District is not currently enrolled in MS-ISAC, (Multi-State Information Sharing and Analysis Center), which is a Division of Homeland Security that provides cybersecurity resources and real-time alerts to member organizations.

We recommend that the District engage a third party to perform periodic network penetration and vulnerability assessments. The implementation of a routine testing schedule will enhance the District's ability to detect and address any potential cybersecurity threats.

We also recommend that the District consider signing up for membership with MS-IASC to benefit from any cybersecurity tools or support offered through this membership so they can strengthen their network security protocols.

STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (OPEN ITEMS)

HUMAN RESOURCES

Manual Adjustment

Detailed Testing – 2020-21

We recommended that the District consider a procedure in which manual adjustments for time awarded and regular time absence recording is reviewed by a second clerk. Criteria should be set regarding the frequency and timing of these reviews.

Risk Assessment Update – 2021-22 - 2023-24

We noted that this had not been implemented due to staffing challenges. Our understanding is that as part of the administrative re-organization, this issue will be re-examined during the 2024-25 year.

Risk Assessment Update – 2024-25

We found that the District has established a Human Resources Department, and is currently undertaking various initiatives, including plans to address this recommendation during the 2025-26 year.

STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (CLOSED ITEMS)

HUMAN RESOURCES – EMPLOYEE ATTENDANCE

Use of Frontline Absence Management (formerly AESOP)

Detailed Testing – 2019-20

We recommended the District consider how to efficiently utilize AESOP and departmental calendars to help ensure all benefit time used is ultimately recorded in nVision. This should include a reconciliation at the schools and departments prior to submission to the Personnel office so that the full complete package is provided to Personnel.

Risk Assessment Update – 2020-21 - 2023-24

We noted that this had not been implemented due to staffing challenges. Our understanding is that as part of the administrative re-organization, this issue will be re-examined during the 2024-25 year.

Risk Assessment Update – 2024-25 (This item is now closed)

We found that the District has evaluated the capabilities of Frontline Absence Management (formerly AESOP) and is planning to further enhance the use of the program's functionality in the future.

Use of Timepiece

Detailed Testing – 2019-20

We recommended that the District consider how to utilize the functionality of Timepiece to record partial days off.

Risk Assessment Update – 2020-21 - 2023-24

We noted that this had not been implemented due to staffing challenges. Our understanding is that as part of the administrative re-organization, this issue will be re-examined during the 2024-25 year.

Risk Assessment Update – 2024-25 (This item is now closed)

We noted that the District has expanded the use of the Timepiece program to include hourly employees and is utilizing its functionality more effectively.