

Herricks Union Free School District
Risk Assessment Update Report
August 7, 2025



Risk Assessment Update Report

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

We have performed the annual risk assessment update for the Herricks Union Free School District (District) as required by Chapter 263 of the Laws of New York, 2005, and as per our engagement letter of July 1, 2025.

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
August 7, 2025

HERRICKS UNION FREE SCHOOL DISTRICT

Introduction

August 7, 2025

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.

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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	August 8, 2024	District-wide
Detailed Testing	May 9, 2024	Capital Assets, Inventory, and Certain Budget Activities

***Note:** the Detailed Testing Report dated August 7, 2025, related to special education (financial operations), billings, budget activities, and budget transfers, was recently issued and those recommendations will be included in next year’s 2025-26 Risk Assessment Update 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 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.

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Risk Assessment Table

August 7, 2025

(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		M	M	
Auditing		M	M	
Budget Activities and Transfers	08/07/25	L	L	
Revenue and Cash Management				
Revenue Management		M	M	
Billings		M	M	
Collections and Posting of Receipts		M	M	
Cash and Investments Management		M	M	
Bank Reconciliations and Treasurer Reports	07/23/21	L	L	
Payroll				
Payroll Accounting and Reporting	05/05/22	L	L	
Tax Filings and Reconciliations	05/05/22	L	L	
Payroll Distribution	05/05/22	L	L	
Human Resources				
Employment Recruitment and Hiring		M	M	
Employee Administration and Termination		M	M	
Employee Attendance		M	M	
Benefits				
Administration	07/23/21	L	L	
Payments and Cost Sharing	07/23/21	L	L	
Purchasing and Related Expenditures				
Purchasing System and Process	05/04/23	M	L	
Payment Process	05/04/23	L	L	
Credit Cards		M	M	
Grants and Special Education				
Grants Processing/Monitoring		M	M	
Special Education (financial operations)	08/07/25	M	M	

* Indicates the issuance date of a detail testing (DT) report for that area.

**HERRICKS UNION FREE SCHOOL DISTRICT
Risk Assessment Table (Continued)**

August 7, 2025

(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		M	M	
Capital Projects		M	M	
Capital Assets and Inventory				
Acquisition and Disposal	05/09/24	M	M	
Maintenance and Inventories	05/09/24	M	M	
School Food Service				
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 Fund				
General Controls and Administration	12/01/20	M	L	
Cash Receipts	12/01/20		H	H
Cash Disbursements	12/01/20	L	L	
Information Technology				
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 a detail testing (DT) report for that area.

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KEY CHANGES FROM THE PRIOR YEAR'S RISK ASSESSMENT RELATED TO POLICIES, PROCEDURES, AND/OR CONTROLS (as of our fieldwork conducted during July 2025)

Governance and Planning

Board and Personnel Changes

- There have been several employee changes in key roles since the prior risk assessment engagement including the Assistant Superintendent for Human Resources, High School Assistant Principal, Denton Avenue Elementary School Principal, Denton Avenue Elementary School Assistant Principal, Center Street Elementary School Assistant Principal, Director of Athletics, Director of World Languages, as well as staff changes in the Business Office, Human Resources Department, and Curriculum Department.

Policy Updates

- The District has been actively reviewing and updating Board policies as needed, including:
 - *Policy #0100 – Equal Opportunity*
 - *Policy #0115 – Anti-Bullying (DASA)*
 - *Policy #0130 – District Complaint Procedures*
 - *Policy #1120 – School District Records*
 - *Policy #1500 – Public Use of School Facilities*
 - *Policy #1540 – Service Animals*
 - *Policy #1900 – Parent and Family Engagement*
 - *Policy #2200 – Annual Budget Vote and School Board Elections*
 - *Policy #2300 – Board of Education Membership*
 - *Policy #4327 – Instruction in an Alternate Setting*
 - *Policy #4510 – Instructional Materials*
 - *Policy #4526 – Acceptable Use*
 - *Policy #4526.2 – Use of Generative or Traditional Artificial Intelligence in Instruction*
 - *Policy #4730 – Homework*
 - *Policy #5150 – School Admissions/Residency*
 - *Policy #5300 – Code of Character, Conduct and Support*
 - *Policy #5454 – Student Automobile Use*
 - *Policy #5605 – Voter Registration for Students*
 - *Policy #6240 – Investments*
 - *Policy #6700 – Purchasing*
 - *Policy #6830 – Expense Reimbursement*
 - *Policy #6900 – Disposal of Broken/Surplus/Obsolete District Property*
 - *Policy #6950 – Medicaid Compliance*
 - *Policy #8113 – Extreme Heat Condition Days*
 - *Policy #8130 – School Safety Plans and Teams*
 - *Policy #8134 – Emergency Closings*

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- *Policy #8414 – Alcohol and Drug Testing of Bus Drivers and Other Safety Sensitive Employees*
- *Policy #8625 – Privacy and Security for Student, Teacher, and Principal Data*
- *Policy #9230 – Recruitment of Personnel*
- *Policy #9245 – Conditional Appointments*
- *Policy #9410 – Staff Complaints and Grievances*
- *Policy #9550 – Expression of Breast Milk in the Workplace*

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).

Board Management Software

- The District has implemented the use of the Diligent Community school board management software system to facilitate the development, distribution, and retention of required Board documents (e.g., agendas, minutes, etc.)

Accounting and Reporting

General Fund Surplus

- The General Fund operated at a surplus of \$760,545 for the year ended June 30, 2024, which increased the total General Fund's fund balance from \$26,028,138 to \$26,788,683. This was the result of the excess of revenues over expenditures of \$7,918,511 exceeding the total financing uses of \$1,445,563 primarily due to a \$1,020,000 operating transfer out of the General Fund to the Capital Projects Fund, and legal claims paid during the year in the amount of \$5,712,403 related to Child Victim's Act legal settlements.

Payroll, Human Resources, and Related Benefits

Employee Self-Service Portal

- The District has implemented the use of the employee self-service portal (i.e., nVision Web) of the nVision financial system to provide staff with online access to their payroll information including direct deposit advices and tax withholding statements. The full implementation of the nVision portal became effective on July 1, 2025, following successful testing and system setup conducted in April, May, and June 2025, during which the District piloted the system with 10 employees.

Electronic Time Clocks

- The District is in the process of implementing the use of electronic time clocks to facilitate the tracking and managing of attendance for the Facilities Department staff, with full implementation expected for the start of the 2025-26 school year.

Grants and Special Education

Internal Audit Report on Detailed Testing

- Refer to the Cullen & Danowski's *Internal Audit Report on Detailed Testing dated August 7, 2025*, related to special education (financial operations), billings, budget activities, and budget transfers for information about the detailed review of this area.

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Facilities and Capital Projects

Work Order System

- The District has enhanced the work order tracking process by providing the maintenance staff with iPads to allow them to update the status of work orders in the web-based program, Q Ware, remotely.

Facilities Survey

- The District engaged a third-party vendor, MasterLibrary (ML) Professional Services, to perform a survey of all school facilities throughout the district (e.g., buildings, boilers, air handlers, shut-off valves, etc.) and to update floor plans for Emergency Response purposes, in compliance with New York State Education Department requirements. The data collected during the survey will be imported into the District's ML Work Orders and ML Drawings software programs. The ML Work Orders program, including its Preventative Maintenance module, will enable the District to more efficiently track and manage routine maintenance activities, including the automated generation of work orders. Additionally, the information collected during the survey will be integrated into the ML Drawings program, providing the District with an interactive view of the floor plans and assets.

Capital Assets and Inventory

Internal Audit Follow-up

- The District has started addressing the recommendations from Cullen & Danowski's *Internal Audit Report on Detailed Testing* dated May 4, 2024, related to capital assets, inventory, and certain budget activities, as noted below in the Status Of Prior Observations And Recommendations sections.

Physical Inventorying of Capital Assets

- The District engaged a third-party accounting firm, CBIZ, to perform a full physical inventorying of all capital assets within the District in January 2025. This engagement was in accordance with *Board Policy #6640 – Fixed Asset Accounting*, which requires a “physical inventory and appraisal of School District property, equipment and material every five (5) years.”

Food Services

School Food Service Surplus

- The food service program operated at a surplus of \$314,426 for the fiscal year ended June 30, 2024, increasing Food Service Fund's fund balance from \$1,129,047 to \$1,443,473. This amount of fund balance exceeded the six-month average expenditure level allowable by federal regulations 7CFR Part 210.14(b). We understand that the District put into place an approved food service plan to reduce the Food Service Fund's fund balance as of June 30, 2024, which had been carried forward from the prior year. The District anticipates that the fund balance will be within the six-month regulatory limit for the fiscal year ended June 30, 2025.

Information Technology

Staff Training and Awareness

- The District continues to require all staff to complete training courses related to safe internet use. This includes awareness of phishing scams and Education Law §2-D. Additionally, the District has continued to perform periodic phishing campaigns to enhance awareness of potential scam emails.

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Cybersecurity Risk Assessment

- The District engaged a third-party company to perform a cyber-security and risk assessment analysis including penetration testing both internal and external activity.

Infrastructure Enhancements

- The Information Technology (IT) Department has further enhanced their cyber security protocols, including increasing the password complexity requirements for staff user accounts to align with the new Version 2.0 of the NIST (National Institute of Standards and Technology) Cybersecurity Framework. Additionally, the IT Department has made enhancements to the District's infrastructure, including upgrades to the firewall system.

Safety and Security

Safety and Security Training and Enhancements

- The District continued to provide the staff with additional safety and security related training.
- The District has created a new position, Safety Supervisor, effective April 2025, to enhance safety and security measures. The District has engaged a third-party security firm, Covert Investigations, to fill this role.
- There have been additional enhancements related to safety and security at the District that include the implementation of a new visitor management system (i.e., Raptor) to enhance the screening and tracking of visitors at the schools.

School Safety Plan Compliance

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

CURRENT OBSERVATIONS AND RECOMMENDATIONS

There are no current recommendations.

STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (OPEN ITEMS)

CAPITAL ASSETS AND INVENTORY

Management of Athletics Inventory and Equipment

Detailed Testing – 2024

We recommended that the District strengthen controls related to the management of the inventory and equipment within the Athletics Department to ensure that this department is properly tracking and recording their inventory of uniforms and equipment costing less than the District's capitalization threshold of \$2,000 for tagging and recording these assets to the CBIZ database.

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Risk Assessment Update – 2025

We found that the District plans to revisit the current process and procedures with the new Director of Athletics, Physical Education, and Health and strengthen, as necessary.

Verification of Asset Disposals

Detailed Testing – 2024

We recommended that the District establish procedures to verify that assets approved for disposal have been discarded.

Risk Assessment Update – 2025

We found that the District plans to assess the current process and procedures, reinforce such protocols to staff, and strengthen, as necessary.

STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (CLOSED ITEMS)

ACCOUNTING AND REPORTING

Revision to Budget Transfer Form

Detailed Testing – 2024

We recommended that the District consider revising the standard Budget Transfer Form to eliminate the required review and approval of the Assistant Superintendent for Instruction and remove them from the process to approve all budget transfers. This administrator should still be required to review and approve the form when it relates to budget account codes that they manage.

Risk Assessment Update – 2025 (This item is now closed)

We found that the District has enhanced the budget transfer process by removing the requirement for the Assistant Superintendent for Curriculum and Instruction to approve all budget transfers. In addition, the District has revised the standard Budget Transfer Form to eliminate the review and approval of the Assistant Superintendent for Curriculum and Instruction, with the exception of transfers relating to the budget account codes they manage.

PURCHASING AND RELATED EXPENDITURES

Vendor Master File – Inactivating Unused Vendors

Risk Assessment Update – 2024

We recommended that the District establish procedures to utilize the nVision system’s functionality to systematically inactivate vendors that have not been utilized by the District after a specified period of time (e.g., 2 years).

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Risk Assessment Update – 2025 (This item is now closed)

We found that the District has performed a full review of the nVision system's vendor master file and inactivated the vendors that have not been utilized by the District in the previous 5 years. In addition, the District has established procedures to perform this process annually going forward.

SPECIAL EDUCATION

Frontline Special Education Management System – User Access

Risk Assessment Update – 2024

We recommended that the District consider setting up email addresses for the staff who require hardcopies of the student's Individualized Education Program (IEP) (e.g., summertime nurse, club advisors, etc.) and creating user accounts to allow them to view the IEPs of their respective students to eliminate the risk of managing hard copy printouts of student IEPs.

Risk Assessment Update – 2024-25 (This item is moved to another report)

We addressed this item during the detailed testing engagement related to information technology. Refer to Cullen & Danowski's Internal Audit Report on Detailed Testing dated June 18, 2025, for more details.

FACILITIES

Monitoring of Vehicles – Mileage and Fuel Usage

Risk Assessment Update – 2024

We recommended that the District establish procedures to periodically review the odometers on the District's vehicles for reasonableness. In addition, we recommended that the Facilities Department determine if the monthly fuel invoices related to purchases of gasoline for the department could include the miles per gallon to facilitate this review of fuel usage.

Risk Assessment Update – 2025 (This item is now closed)

We found that the District has implemented procedures to monitor District vehicles' mileage and fuel usage for reasonableness. However, our understanding is that the vendor is unable to include the vehicles' miles per gallon in the monthly invoice.

CAPITAL ASSETS AND INVENTORY

Asset Tags and Updating Capital Asset Database

Detailed Testing – 2024

We recommended that the District continue with efforts to ensure the correct asset tags are being affixed to assets, and that the information entered into the Capital Asset Database is accurate and complete.

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Risk Assessment Update – 2025 (This item is now closed)

We found that the District has reinforced to all staff, with duties related to assets, the District's procedures regarding the tagging of assets. Additionally, the District engaged a third-party accounting firm, CBIZ, to perform a full physical inventory of the District's capital assets in January 2025.

EXTRACLASSROOM ACTIVITY FUNDS

Cash Receipts – Strengthen Controls Related to High School (HS) Receipts

Agreed-Upon Procedures – 2020

We recommended that the District strengthen controls at the HS related to receipts at the club level since the collection of funds has a high level of inherent risk of loss. In order to facilitate the pre-audit and recording of receipts, statements should be made by those collecting money. Such a statement should, on its face, include all of the essential data for a complete check and audit of the receipts. We recommended that the deposit forms submitted to the HS Central Treasurer be revised to provide an expanded comment or description section in which the club advisor can fully explain the transaction and completely account for the items by documenting the purchase information and utilize pre-numbered receipts or tickets (i.e., number of items purchased, number of items sold, the number of left over items and the status of the remaining items).

Risk Assessment Update – 2021

We noted that the pandemic delayed this implementation and significantly limited extraclassroom activities during the 2020-21 year. We understood that the District planned to address this item during the 2021-22 year.

Risk Assessment Update – 2022

We found that the HS planned to establish procedures to ensure compliance by all clubs when submitting receipts to the Central Treasurer to fully explain the transactions and provide a complete accounting to support the amount of funds. We noted that the HS clubs have enhanced the receipts process by setting up more fundraisers related to the sale of goods or products as pre-orders instead of purchasing these items based on an estimated number of sales. This improved the accounting for these transactions by having an equal number of purchased and sold items, thus eliminating the potential for unsold items when buying an estimated number of items.

Risk Assessment Update – 2023

We understood that the District planned to address this recommendation during the 2023-24 year by considering revisions to the deposit forms submitted to the HS Central Treasurer to provide an expanded comment or description section in which the club advisor can fully explain the transaction and completely account for the items by documenting the purchase information and utilize pre-numbered receipts or tickets (i.e., number of items purchased, number of items sold, the number of left over items, and the status of the remaining items).

Risk Assessment Update – 2024

We noted that the current practice at the HS is to rely upon the details provided in the building usage form that is used to approve fundraisers to indicate the type of items being sold. In addition, the HS utilizes pre-order forms for certain items including ticket sales for dances and sales of clothing to facilitate the accounting for these activities. We understood that the District was investigating the use of a digitized process (e.g., MySchoolBucks) and web-based programs for ticket sales to reduce the handling of receipts at the club level. The District planned to work with the HS administrators during the 2024-25 year to assist with addressing this recommendation.

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Risk Assessment Update – 2025 (This item is now closed)

We found that the District has revised the deposit forms submitted to the HS Central Treasurer to provide an expanded comment or description section in which the club advisor can fully explain the transaction and completely account for the items by documenting the purchase information and utilize pre-numbered receipts or tickets (i.e., number of items purchased, number of items sold, the number of left over items and the status of the remaining items). In addition, the current practice at the HS is for the clubs to provide details on the building usage form that is used to approve fundraisers to indicate the type of items being sold and the HS utilizes pre-order forms for certain items including ticket sales for dances and sales of clothing to facilitate the accounting for these activities.

