

Herricks Union Free School District
Risk Assessment Update Report
August 8, 2024



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 of 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, 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 accomplished through 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 audit, 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
August 8, 2024

HERRICKS UNION FREE SCHOOL DISTRICT

Introduction

August 8, 2024

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 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 three 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.

HERRICKS UNION FREE SCHOOL DISTRICT

Introduction (Continued)

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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.

The third section includes 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 report were addressed in this year’s risk assessment:

Report Type	Issue Date	Area(s)
Risk Assessment	August 10, 2023	District-wide
Detailed Testing	May 4, 2023	Purchasing and Certain Budget Activities

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 (CR) §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.

HERRICKS UNION FREE SCHOOL DISTRICT

Risk Assessment Table

August 8, 2024

(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 Transfers	05/09/24	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	M	
Payment Process	05/04/23	M	L	
Credit Cards		M	M	
Grants and Special Education				
Grants Processing/Monitoring		M	M	
Special Education (financial operations)		M	M	✓

* Indicates the issuance date of an agreed-upon procedures report (AUP) or detail testing report (DT) for that area.

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

August 8, 2024

(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		M		
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 an agreed-upon procedures report (AUP) or detail testing report (DT) for that area.

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

Governance and Planning

- There were Board member changes including the Board President, Vice President, and two new Trustees, as well as employee changes since the prior year that includes personnel changes in the Business Office, Facilities Department, Human Resources Department, and Curriculum Department. In addition, the Assistant Superintendent for Human Resources is resigning from the District, effective August 9, 2024, and this position is being filled internally by the Denton Avenue Elementary School Principal, and the Denton Avenue Elementary School Principal role is being filled internally by the school's current Assistant Principal.
- The District continues to have 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).
- The Governor signed into law Chapter 351 of the Laws of 2023 (S1746/A1120), amending the Workplace Violence Prevention Law (Section 27-b of Labor Law), to extend coverage to public school districts, and these changes became effective January 4, 2024. The District has complied with the requirements that included a risk evaluation, prevention program, staff training, and Board Policy.
- The District has implemented a new communications program, Parent Square, for the start of the 2024-25 school year. The transition to this new system will improve efficiency and streamline procedures related to communicating information to staff, students, and parents.
- The District has enhanced the registration process for kindergarten and pre-k through the implementation of the Infinite Campus student management system's online registration portal.

Accounting and Reporting

- The District has spent considerable time, effort, and funds related to the Child Victims Act (CVA) claims and cases. We found that the District has set up the proper accounting and reporting of these claims.
- The financial statements for the year ended June 30, 2023 reflected an excess of revenues over expenditures of \$3,804,900. This excess was reduced by (\$933,441), due to operating transfers to the Capital Projects Fund, Special Aid Fund, and School Lunch Fund resulting in a net change in fund balance of \$2,871,459. This increased the fund balance from \$23,156,679 to \$26,028,138 at June 30, 2023.
- The Business Office has revised the accounting of their Subscription-Based Information Technology Arrangements (SBITA) in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 96 for the year ended June 30, 2023 financial statements.
- The District has revised the budget transfer process and the standard Budget Transfer Form to remove the Assistant Superintendent for Instruction from the review and approval process, except for transfers relating to the budget account codes they manage, and to align this practice with *Board Policy #6150 - Budget Transfers* as per the recommendation from the Cullen & Danowski, LLP report titled *Internal Audit Report on Detailed Testing - Capital Assets, Inventory, and Certain Budget Areas* dated May 9, 2024.

Payroll, Human Resources, and Benefits

- The District has implemented policies, procedures, and a formal plan related to preventing workplace violence as required by New York Labor Law Section 27-b, effective January 4, 2024.

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- 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 2024-25 school year.

Purchasing and Related Expenditures

- The District has been active with addressing the recommendations from the Cullen & Danowski, LLP report titled *Internal Audit Report on Detailed Testing* dated May 4, 2023 related to purchasing (refer to the status of recommendations below).

Grants and Special Education

- The District has expanded the use of the Frontline Special Education Management system by implementing the use of the Collaboration Portal to facilitate the secure transfer of documents to and from parents. In addition, the District has also enhanced the use of the Frontline system by including a library of blank forms for use by both staff and parents.

Facilities and Capital Projects

- The District is in the process of enhancing 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.
- The Facilities Department has implemented procedures to maintain an Excel file that lists the inventory items below the capital asset threshold to facilitate the tracking of these items.
- The District engaged a third party, Q Ware, to perform an inventory of the equipment and parts for all systems (e.g., air handlers, univents, filters, motors, etc.). In addition, the vendor was also engaged to populate these items into the Q Ware system's preventative maintenance module to facilitate the tracking and scheduling of maintenance related to these systems.

School Food Service

- The food service program operated at a surplus of \$544,172 for the year ended June 30, 2023, which increased the fund balance amount in the School Food Service Fund from \$584,875 to \$1,129,047. This amount of fund balance in the School Food Service Fund exceeded the 3-month average expenditure level allowable by federal regulations 7CFR Part 210.14(b). We found that the District has a plan to reduce this fund balance amount below the allowable level in the School Food Service Fund.
- The District has enhanced the point-of-sale (POS) by moving to the cloud-based program called Mosaic resulting in more robust functionality and improved reporting.

Information Technology

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

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- 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 §2-D. Additionally, the District has continued to perform periodic phishing campaigns to enhance awareness of potential scam emails.
- The Information Technology Department continued with enhancements related to the District's infrastructure including updated firewall and antivirus programs, as well as engaging a third party to test the adequacy of these systems.

Student Transportation

- The District has set up a new transportation program (Traversa) to replace the previous program (Edulog). The Traversa program has enhanced functionality that includes technology to track the locations of the buses, to systematically send notices to parents, and to provide access to bus information via a parent portal.
- The Transportation Department has provided each bus driver with a tablet to access the Traversa program that has improved communications and includes real-time notifications.

CURRENT OBSERVATIONS AND RECOMMENDATIONS

PURCHASING AND RELATED EXPENDITURES

Vendor Master File – Inactivating Unused Vendors

Finding and Recommendation – Risk Assessment Update – 2024

We found that the District does not have standard protocols for inactivating unused vendors in the nVision system's requisitions module. In addition, the District manually deactivates individual vendors as opposed to utilizing the nVision systems purge vendor functionality to systematically inactivate vendors that have not been utilized recently.

1. *We recommend 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).*

SPECIAL EDUCATION

Frontline Special Education Management System – User Access

Finding and Recommendation – Risk Assessment Update – 2024

We note that there are instances where the District needs to provide certain staff with hardcopy printouts of student IEPs from the Frontline Special Education Management system because they do not have access to the program since these employees are not set up with a District email address (e.g., summertime nurse, Club Advisors, etc.).

2. *We recommend that the District consider setting up email addresses for the staff who require hardcopies of the IEPs (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.*

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FACILITIES

Monitoring of Vehicles – Mileage and Fuel Usage

Finding and Recommendation – Risk Assessment Update – 2024

We found that the District does not currently have procedures in place to track and monitor the mileage and fuel usage of District's vehicles used by the Facilities Department staff.

- 3. We recommend that the District establish procedures to periodically review the odometers on the District's vehicles for reasonableness. In addition, we recommend 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.*

STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (OPEN ITEMS)

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 recommend 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

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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

4. *We note 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 understand that the District is 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. We will work with the HS administrators during the 2024-25 year to assist with addressing this recommendation.*

STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (CLOSED ITEMS)

REVENUE AND CASH MANAGEMENT

Collections and Posting of Receipts – MySchoolBucks

Risk Assessment Update – 2023

We recommended that the District consider expanding the use of the web-based program, MySchoolBucks, to facilitate the collection of fees for field trips and other types of activities resulting in efficiency regarding the receipts process.

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

We found that the District has expanded the use of the MySchoolBucks program to include the collection of fees for field trips at the Middle School.

Automate Bank Reconciliations

Agreed-Upon Procedures – 2021

We recommended that the District consider setting up checking accounts with each fund, similar to the General Fund, to utilize the nVision system’s automated bank reconciliation functionality. This would eliminate the current inefficient process of working outside of the nVision system and taking additional steps to prepare the bank reconciliation, due to having only one checking account in the General Fund that covers all of the funds.

Risk Assessment Update – 2022

We noted that the District was in the process of addressing this recommendation.

Risk Assessment Update – 2023

We understood that the District planned to address this recommendation during the 2023-24 year.

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

We found that District is utilizing the nVision system’s automated bank reconciliation function for reconciling the General Fund and will continue the practice of performing the reconciliation of individual funds due to having only one checking account in the General Fund that covers all of the funds.

PAYROLL

Payroll – Written, Formal Procedures

Detailed Testing – 2022

We recommended that the District develop a plan to create electronic files of written, formal procedures related to the key tasks performed by the payroll staff by building out and adding to the current Payroll Procedures document or to include specific details regarding the steps taken to complete each procedure. These procedures should provide enough information to allow an employee to complete a process based on the language in the procedure document. These documents are helpful to assist in the event of staff changes (e.g., retirements, resignations, unexpected absences, etc.) and to facilitate tasks performed infrequently (e.g., annually).

Risk Assessment Update – 2023

We noted that the District provided hands on training, as well as reference guides to the Business Office clerical staff and planned to start addressing this item during the 2023-24 year.

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

We found that the District has started to create electronic files of written, formal procedures related to key processes performed by the Payroll Department in conjunction with cross training the new Payroll Clerk.

HUMAN RESOURCES

New York State Labor Law Notices

Risk Assessment Update – 2023

We recommended that the District ensure compliance with New York Labor Law Section 201 that requires employers to post the required labor notices on their website or provide to the employees in electronic format via emails.

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

We found that the District has posted the required labor notices on their website in compliance with New York Labor Law Section 201.

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BENEFITS

Written, Formal Procedures – Benefits

Agreed-Upon Procedures – 2021

We recommended that the District develop written, formal procedures related to the key tasks performed by the staff regarding employee benefits administration. These documents are helpful to facilitate tasks that are performed infrequently (e.g., annually) and to assist in the event of staff changes (e.g., retirements, resignations, unexpected absences, etc.).

Risk Assessment Update – 2022

We found that the District planned to start addressing this recommendation by developing written, formal procedures related to key tasks performed by staff in regard to employee benefits during the 2022-23 year.

Risk Assessment Update – 2023

We noted that the District had turnover with the staff in the benefits area delaying the development of written, formal procedures, which the Business Office planned to begin during the 2023-24 year.

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

We found that the Business Office has started developing written, formal procedures related to benefits.

PURCHASING AND RELATED EXPENDITURES

Education Law §2-D – Vendor Data Privacy Agreements

Risk Assessment Update – 2023

We recommended that the District establish procedures to memorialize that the vendor data privacy agreement is on file to ensure compliance with Ed Law §2-D.

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

We found that the District has revised their new vendor form to include a section for the Data Privacy Officer to sign-off memorializing their approval and the receipt of the signed vendor privacy agreements.

EXTRACLASSROOM ACTIVITY FUNDS

Bona Fide Clubs

Agreed-Upon Procedures – 2020

We recommended that the District assess each club within the extraclassroom activities to ensure that all accounts are bona fide clubs as per CR § 172 and the NYSED Pamphlet (e.g., field trips, scholarships, cap and gown, homecoming, some activities of the athletic teams, etc.). This requires that all clubs in the extraclassroom

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activities have student involvement including student officers (i.e., president, secretary and treasurer). These student officers should be actively involved in the financial activities of their clubs with an understanding of their roles in their respective positions. In addition, each bona fide club should have a charter or bylaws.

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 District had begun to address this recommendation as transactions within the extraclassroom activities increased during the 2021-22 year compared to the prior 2020-21 year.

Risk Assessment Update – 2023

We understood that the District planned to address this recommendation during the 2023-24 year.

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

We note that the HS administration has worked with the advisors and student officers to ensure that the extraclassroom activities accounts are bona fide clubs. This included the establishment of sub-accounts under a bona fide club (i.e., Student Government and Athletics) or the appointment of student treasurers (i.e., field trips). In addition, the HS plans to set up a student-led athletic advisory committee to review financial transactions, consider fundraising efforts, discuss requests for new athletic teams, and act as student liaisons with outside organizations like athletic boosters. The purpose of this committee will be to add a student voice to decisions made regarding athletics.

