South Orangetown Central School District
Risk Assessment Update Report
For the Period Ended October 31, 2025

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We have completed our risk assessment update of the South Orangetown Central School District (the "District") for the period ended October 31, 2025. The objective of this engagement is to evaluate the District's internal control system, assess the overall risk, and provide recommendations to the Board of Education (the "Board") and management to strengthen or improve upon the District's internal control structure.

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, Capital Projects, and Capital Assets
  - Student Services
  - Student Related Data and Services
  - Information Technology
- Identified risks that could inhibit the District in achieving its goals;
- Reviewed Board 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.

In performing our engagement, we relied on the accuracy and reliability of information provided by the 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,

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
December 4, 2025

Executive Summary

This report serves to address the first requirement of Chapter 263 of the laws of New York, 2005, 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 personnel, observations, and performing tests over key controls, where necessary. We performed risk assessment update procedures to assess risk and determine if relevant controls have been implemented.

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

- **High Risk (H)** – We identified areas where we believe the internal control system is not effective in preventing or detecting risks associated with the District's operations and require immediate attention from the Board and management.

- **Moderate Risk (M)** – We identified areas where we believe an internal control system exists, but may not be fully effective in preventing or detecting risks. The District should review our recommendations and consider the need to implement these recommendations.

- **Low-Risk (L)** – We believe the internal control system is adequately designed and operating as intended. We have also included our recommendations in the procedures performed, observations, and recommendations section of this report where we believe opportunities exist to further strengthen the internal control system.

The control risk ratings listed below are based on our risk assessment procedures performed further detailed below and are subject to change based on detailed procedures performed as part of our future risk assessment updates or extensive system reviews performed on specific business processes.

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

Extensive System(s) Proposed:

- Period Ending June 30, 2026: Extraclassroom Activities

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Risk Assessment Update
For the Period Ended October 31, 2025

BUSINESS PROCESSES AND SUBPROCESSES	*Control Risk*		*Audit Plan*		
GOVERNANCE AND PLANNING	**2025**	**2026**	**2024**	**2025**	**2026**
Governance and Control Environment	L	L	•	•	
Strategic Planning	L	L	•		
Budget Development and Budget Administration	L	L	•		
ACCOUNTING AND REPORTING	**2025**	**2026**	**2024**	**2025**	**2026**
Assessing Financial Condition	L	L		•	
Financial Accounting and Reporting	L	L		•	
Auditing	L	L		•	
State Aid and Grants	L	L			•
REVENUE AND CASH MANAGEMENT	**2025**	**2026**	**2024**	**2025**	**2026**
Cash Receipts and Revenue	L	L	•		
Cash and Investment Management	L	L	•		
PURCHASING AND RELATED EXPENDITURES	**2025**	**2026**	**2024**	**2025**	**2026**
Purchasing	L	L	✔	•	
Accounts Payable and Cash Disbursements	L	L	✔		
Travel and Conferences	L	L	✔		
PAYROLL, HUMAN RESOURECS, AND BENEFITS	**2025**	**2026**	**2024**	**2025**	**2026**
Payroll Processing and Related Expenditures	L	L	•		
Human Resources	L	L	•	•	
Benefits	L	L	•		
FACILITIES, EQUIPMENT, AND INVENTORY	**2025**	**2026**	**2024**	**2025**	**2026**
Facilities Maintenance	H	L	✔		
Capital Projects	L	L		✔	
Capital Assets and Inventory	L	L			
STUDENT SERVICES	**2025**	**2026**	**2024**	**2025**	**2026**
Student Transportation	L	L		•	
Food Service	L	L			•
Extraclassroom Activities	L	L			•, ■
STUDENT RELATED DATA AND SERVICES PROGRAM	**2025**	**2026**	**2024**	**2025**	**2026**
Student Attendance	L	L		•	
Reliability of Student Performance Data	L	L		•	
Student Security and Safety	L	L		•	
INFORMATION TECHNOLOGY	**2025**	**2026**	**2024**	**2025**	**2026**
Policies and Governance	L	L			•
Data Backup and Recovery Processes	L	L			•
Data Security and Cybersecurity Risks	L	L			•

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

PROCEDURES PERFORMED, OBSERVATIONS, AND RECOMMENDATIONS

ACCOUNTING AND REPORTING

Procedures Performed: We have performed the following procedures for our risk assessment update:

- Interviewed key personnel involved in the administration of state aid and grant programs to obtain an understanding of processes, roles, and oversight responsibilities.
- Reviewed relevant policies and procedures governing the management, reporting, and compliance requirements of state aid and grant-funded programs.
- Evaluated the District's process for tracking state aid throughout the year, including monitoring of allocations, claims, and reconciliations.
- Reviewed the District's procedures for the System to Track and Account for Children (STAC) to confirm that required student placements and approvals are submitted accurately and in a timely manner.
- Selected a sample of five Medicaid reimbursements received during the year and tested for compliance by verifying:
    - The presence of supporting documentation substantiating the services billed;
    - Proof of payment received by the District;
    - The student's IEP to ensure the billed services were authorized and required.

Observation: No exceptions were noted.

Recommendation: No recommendations were noted.

Control Risk Ratings:

State Aid and Grants (**L)**

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STUDENT SERVICES

Procedures Performed: We have performed the following procedures for our risk assessment update:

- Interviewed key personnel involved in food service operations and the extraclassroom activity (ECAF) process to obtain an understanding of roles, controls, and oversight responsibilities.
- Reviewed relevant policies and procedures governing the management, reporting, and internal controls of food service and ECAF activities.
- Obtained an understanding of the District's cash receipt and disbursement process from the high school and middle school extraclassroom activity funds.
- Verified the accuracy of the District's meal reimbursement claim by confirming that the claim was based on actual point-of-sale meal counts.
- Confirmed that the District's food service management contract was awarded through a competitive process in accordance with procurement requirements.
- Reviewed formal written procedures for obtaining, evaluating, counting, verifying, and reporting free and reduced-price meal applications to ensure compliance with federal and state guidelines.
- Sampled five ECAF cash receipts to verify that:
    - A treasurer's receipt was properly prepared and signed by the student treasurer, faculty advisor, and central treasurer.
    - Receipts were deposited timely into the bank.
    - Transactions were accurately recorded in the District's accounting system.
    - Adequate supporting documentation (e.g., invoices, detailed receipts) was retained for each transaction.
- Sampled five ECAF cash disbursements and verified:
    - Each disbursement request was properly prepared and approved by both the student and faculty advisor.
    - Supporting documentation, such as invoices, was retained and marked "PAID."
    - Disbursements were accurately and timely recorded in the accounting system.
- Reviewed five high school extraclassroom activity clubs to confirm that club charters were prepared, approved, and authorized by the appropriate individuals.
- Sampled three ECAF fundraisers during the year and verified:
    - Fundraising authorization forms were properly completed and approved as per District policy.
    - Fundraising activities were permissible under District policy.
    - Profit and loss statements were prepared for completed fundraisers.

Observation: One out of five ECAF cash receipts tested related to a transfer from a separate bank account that was not recorded within the ECAF financial statements nor in the District's financial statements. A treasurer's receipt was not prepared, and supporting documentation detailing the purpose of the transfer was not retained.

Recommendation: We recommend the District ensure that all cash receipts, including transfers and electronic deposits, are supported by a treasurer's receipt and appropriate documentation. Additionally, we recommend that the District obtain an understanding of all fundraising mechanisms and bank accounts used by the ECAF clubs in order to ensure that the financial statement balances are complete and accurate.

Observation: In addition to the separate bank account noted above, we noted that there was another separate bank account that was not recorded within the ECAF financial statements nor in the District's financial statements.

Recommendation: We recommend that the District obtain an understanding of all fundraising mechanisms and bank accounts used by the ECAF clubs in order to ensure that the financial statement balances are complete and accurate.

Observation: One out of five ECAF cash receipts tested did not include adequate supporting documentation to substantiate the nature of the event/receipts collected, list of donors, etc.

Recommendation: We recommend that all ECAF cash receipts be accompanied by complete documentation, including event descriptions, donor lists (where applicable), and evidence of the funds collected.

Observation: One out of three ECAF fundraisers tested was conducted between September 29, 2025 and October 8, 2025; however, the required principal approval as per District policy was not obtained until October 2, 2025, after the fundraiser had already begun.

Recommendation: We recommend the District reinforce its requirement that all fundraising activities receive documented approval before the event begins.

Observation: As of October 9, 2025, the District's general ledger report for the high school shows a club balance for Class of 2024 and 2025.

Recommendation: We recommend the District review the remaining balances for the Class of 2024 and 2025 and take appropriate action to close, transfer, or otherwise resolve these funds in accordance with District policy and New York State extraclassroom activity guidelines.

Control Risk Rating:

Food Service **(L)**
Extraclassroom Activities **(L)**

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INFORMATION TECHNOLOGY

Procedures Performed: We have performed the following procedures for our risk assessment update:

- Interviewed key personnel involved in the information technology process.
- Reviewed the disaster recovery plan and Board policies surrounding data retention, breach notification, and backup frequency.
- Obtained an understanding of the District's backup and recovery controls by reviewing documentation from the LHRIC Remote Backup Service, including daily backup reports, storage architecture, cloud retention schedules, and onsite/offsite replication. We verified that daily, monthly, and annual backups are performed, encrypted, retained based on established schedules, and stored in both onsite and Education Law 2-d compliant cloud environments.
- Reviewed recent recovery test results and confirmed that recovery tasks were performed successfully, demonstrating the District's ability to restore systems and data in the event of a disruption. We also confirmed that backup integrity testing is performed periodically.
- Obtained an understanding of the District's encryption controls, confirming that data is encrypted both in transit and at rest across backup systems, cloud storage, and network authentication processes. We verified that multi factor authentication is required for administrative access to sensitive systems and that access to backup consoles is restricted to authorized personnel.
- Reviewed the District's incident response and cybersecurity reporting procedures, including requirements for notifying appropriate regulatory authorities and external agencies based on the nature of the incident. We confirmed that procedures for breach detection, escalation, and communication are documented and align with the NIST Identify-Protect-Detect-Respond-Recover framework.
- Evaluated the District's network segmentation and access control practices, including the use of role-based authentication, network isolation techniques, portal-based access controls, and filtering mechanisms designed to separate administrative, instructional, and guest network traffic.
- Reviewed the District's cybersecurity training program, including annual Global Compliance Network (GCN) modules and phishing awareness campaigns. We confirmed that training occurs regularly and supports staff awareness of cybersecurity risks.
- Sampled five recently separated employees and verified that each individual's access to the accounting information system was deactivated in a timely manner following their separation date.
- Sampled five recently separated employees to confirm that:
    - A formal account termination request was properly initiated, submitted, and reviewed by management in accordance with District procedures; and
    - The employee's access was removed timely from all applicable District software systems to ensure access was fully revoked across the environment.

Observation: No exceptions were noted.

Recommendation: No recommendations were noted.

Control Risk Rating:

Policies and Governance **(L)**
Data Backup and Recovery Processes (**L**)
Data Security and Cybersecurity Risks (**L**)

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STATUS OF PRIOR YEAR OBSERVATIONS:

Area: Accounting and Reporting:

Observation: The District evaluates fund balance multiple times throughout the year; however, we noted the District did not have a written multi-year fund balance and reserve plan, as recommended by the New York State Office of Comptroller, outlining capital and operational plans, desired funding level, use of reserves, and outline how surplus balances will be applied to reserves.

Status: *Implemented.*

Observation: Although the District performed monthly treasurer's reports indicating cash balances, the District did not prepare cash flow projections or cash flow analysis throughout the year as recommended by the New York State Office of Comptroller.

Status: *Implemented.*

Observation: We identified one employee who recently left the District who was not timely deactivated within the accounting information system.

Status: *Implemented.*

Control Risk: Low (**L**)

Area: Facilities Maintenance:

Observation: Policy #7100, Facilities Planning, requires the District to develop a five-year capital facilities plan that is updated annually. Per our inquiries with the District, we noted the District uses the building condition surveys, which are performed every five years, to evaluate facility needs, but did not have a five-year capital facilities plan as required per its policy.

Status: *Implementation is in progress.* The District is currently completing a comprehensive building condition assessment, which will serve as the foundation for developing the required five-year facilities plan.

Control Risk: Low (**L**)