East Ramapo Central School District
Initial Risk Assessment Report
For the Year Ended June 30, 2023

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East Ramapo Central School District
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We have completed our initial risk assessment of the East Ramapo Central School District (the "District") for the year ended June 30, 2023. 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 potential control weaknesses or deficiencies.

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

- Gained an understanding of the internal controls for the following key business processes through inquiry and observation:
    - Governance and Planning
    - Accounting and Reporting
    - Revenue and Cash Management
    - Purchasing and Related Expenditures
    - Payroll, Human Resources, and Benefits
    - Facilities, Equipment, and Inventory
    - Student Services
    - Student Related Data and Services
    - 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 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
November 13, 2023

East Ramapo Central School District
Initial Risk Assessment Report
For the Year Ended June 30, 2023

Executive Summary

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

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

We developed our initial risk assessment by obtaining an understanding of the design and implementation of the District's internal control structure by performing interviews with key District personnel, observations, and performing tests over key controls, where necessary. We considered the following risks in our risk assessment and its potential effect on the District's internal control system:

- **Inherent Risk -** the risk associated with the nature and type of transactions processed due to complexity, materiality, and quantity of the transactions outside of the District's internal control structure.

- **Control Risk** – the risk that the internal control system is not adequately designed to prevent or detect errors or irregularities on a timely basis.

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

- **High Risk (H)** – We identified control deficiencies in the internal control system that require immediate attention. We recommend the District review and work towards correcting these deficiencies.

- **Moderate Risk (M)** – We identified areas where we believe the internal control structure can be improved. We recommend the District review these recommendations and consider implementing these recommendations as necessary.

- **Low-Risk (L)** – We did not identify any control deficiencies or recommendations in which the internal control system can be improved.

Proposed Business Processes

We are proposing to perform an extensive system review for the following business processes:

Year	Business Process
2022 – 2023	Purchasing and Related Expenditures
2023 – 2024	Information Technology

East Ramapo Central School District
Assessment of Risk and Testing Plan
For the Year Ended June 30, 2023

Legend	
■	Proposed extensive process review
•	Risk assessment performed
H = High M = Moderate L = Low	

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

GOVERNANCE AND PLANNING

GOVERNANCE AND CONTROL ENVIROMENT

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

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

- The District does not have the following legally required board policies:
  - 4321.11 Public Report on Revisions to District Policies, Practices and Procedures Upon a Finding of Significant Disproportionality as required by 8 NYCRR §200.2(b)(14).
  - 4321.13 Preschool Students with Disabilities as required by 20 USC §§1412; 1413(a)(1) (IDEA) and 8 NYCRR §200.2(b)(2), (5).
  - 4321.14 Special Education Personnel Qualifications and Training as required by 8 NYCRR §200.2(b)(3), (11).
  - 4850 Animals in the Schools as required by Education Law §809(4).
  - 9140.1 Staff Complaints and Grievances as required by General Municipal Law, Article 15-c.
  - 9520.6 Policy on the Rights of Employees to Express Breast Milk in the Workplace as required by Labor Law §206-c.

- We noted policy #6240 *Investments*, references the trust and agency fund. The District adopted GASB 84 *Fiduciary Activities* in 2021 which abolished the trust and agency fund.

Recommendations: We recommend the District review legally required board policies published by the New York State School Board Association semi-annual and ensure all legally required policies have been adopted. We also recommend the District review all of the current policies and ensure each policy reflects the current operations of the District.

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ACCOUNTING AND REPORTING

FINANCIAL ACCOUNTING AND REPORTING

Control Risk Level: **High (H)**

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

- The District's internal policies require journal entries to be reviewed and approved by the Assistant Superintendent for Business. We tested five journal entries and noted four out of the five tested lacked documentation or evidence of the Assistant Superintendent's review.
- We noted one out of five entries tested had no documentation or evidence of the employee who initiated the entry.

Recommendation: We recommend the District utilize a journal entry cover sheet for all entries which details the reason for the entry, accounts, date, posted date, who prepared the entry, and who approved the entry. All cover sheets should be signed off and dated by the individuals who prepared and approved the entry.

***

AUDITING

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

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

- The single audit is required to be submitted to the Federal Audit Clearinghouse within 30 days of receiving the audit report or nine months after the fiscal year end. The June 30, 2022 single audit report was completed on June 20, 2023, which was not within the nine month filing deadline. Entities that do not meet this deadline cannot be assessed as a low-risk entity by the federal government.

Recommendation: We recommend the District establish procedures to ensure the single audit is completed timely and submitted to the federal audit clearinghouse within the deadline.

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REVENUE AND CASH MANAGMENT

CASH RECEIPTS AND REVENUE

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

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

- We noted the supporting documentation retained for cash receipts is inconsistent. The District sometimes utilizes a cash receipt/incoming wire cover sheet, which outlines bank account, amount received, reason, posted by, and form completed by. This form is not used for all cash receipts. In addition, the employee who records the cash receipts into the accounting software does not prepare the cash receipt/incoming wire checklist.

- We noted one employee has duties that involve entering and approving cash receipts into the accounting information system, initiating wire transfers through the banking portal, and performing bank reconciliations, which is an issue regarding proper segregation of duties for cash receipts / banking.

Recommendations: We recommend the District adopt formal procedures to require the cash receipt cover sheet to be used for all incoming cash receipts/wires. In addition, we recommend the District require the employee who entered the cash receipt into the accounting information system complete the form and sign-off. "Form completed by" should also be changed to "approved by" and a second employee should review the supporting documentation and approve.

We also recommend the District segregate duties to separate the entering of cash receipt/wire transfer information into the accounting information system from the individual responsible for initiating wire transfers and preparing bank reconciliations.

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CASH MANAGEMENT AND INVESTMENTS

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

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

- 8 CRR-NY 170.4 requires school districts to limit petty funds to $100. Per the July 6, 2022 reorganization minutes, we noted six funds that exceeded the $100 limit.

Recommendation: We recommend the District lower petty cash held in funds to $100 to comply with 8 CRR-NY 170.4.

PAYROLL AND PERSONNEL

HUMAN RESOURCES

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

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

- The District does not have an employee handbook which outlines the district, employment policies, laws and regulations, compensation policies, employee benefits, and employee conduct and workplace information.

Recommendations: We recommend the District create an employee handbook and have employees attest to the employee handbook either annually or upon initial hiring.

FACILITIES, EQUIPMENT, AND INVENTORY

FACILITIES MAINTENANCE

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

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

- The District does not have a long-range plan for educational facilities and equipment replacement purchases as required by 8 CRR-NY 155.1.

Recommendation: We recommend the District assess their education facilities and equipment replacement needs and develop a long-range plan as required by 8 CRR-NY 155.1.

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STUDENT SERVICES

EXTRACLASSROOM ACTIVITIES

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

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

- The District does not have written policies and procedures for the operation of the extraclassroom activity fund.

Recommendation: We recommend the District review the *Safeguarding, Accounting and Auditing of the Extraclassroom Activity Funds* manual provided by the New York State Education Department and create written policies for the operations of the District's extraclassroom activity funds.

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INFORMATION TECHNOLOGY

POLICIES AND GOVERNANCE

Control Risk Level: **High (H)**

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

- The District does not have a backup and data retention policy, which specifies how often backups are to be performed, how long they are to be retained and where the backup media is to be stored.
- The District has not developed and adopted a Disaster Recovery Plan, which would include procedures related to preparing for recovery or continuation of technology infrastructure critical to District operations after a disaster. Disaster recovery planning is a subset of a larger process known as business continuity planning and should include planning for the resumption of applications, data, hardware, communications (such as networking), and other information technology infrastructure. The primary goal of the Plan is to restore operations quickly and with the most current data available.

Recommendation: We recommend the District include the District's backup and data retention policy in the disaster recovery plan or policy #8635 *Information and Data Privacy Security, Breach, and Notification*. In addition, to ensure continued operation of mission critical systems in the event of a disaster, the District should develop and adopt a complete, functional, and tested disaster recovery plan. In addition, this plan should be reviewed regularly, and tested periodically. We also noted the District is currently developing the disaster recovery plan.

DATA BACKUP AND RECOVERY

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

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

- Per our inquiries with the District personnel, we noted test restores of the District's data are performed every 4-6 weeks. However, the District does not retain a log or results of the tests performed over application data and file server recovery.

Recommendation: We recommend the District maintain a log of the date and results for tests performed over application data and recovery processes.

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DATA SECURITY AND CYBERSECURITY RISKS

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

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

- The District does not have cybersecurity breach detection sensors deployed throughout the IT network.
- The District does not encrypt sensitive data on servers, individual computers and portable devices.
- The District does not perform penetration testing periodically to identify, assess, and address cybersecurity risks.

Recommendation: We recommend the District install cybersecurity breach detection sensors to ensure data integrity. We recommend the District encrypt sensitive data on servers, individual computers and portable devices. We also recommend the District perform document penetration testing performed to identify, assess, and address cybersecurity risks.

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