East Ramapo Central School District
Risk Assessment Update Report
For the Year Ended June 30, 2024

EAST RAMAPO CENTRAL SCHOOL DISTRICT
Risk Assessment Update
For the Year Ended June 30, 2024

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East Ramapo Central School District
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We have completed our risk assessment update of the East Ramapo Central School District (the "District") for the year ended June 30, 2024. 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 to 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
January 31, 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 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 processes where we have provided internal audit services and the business processes we are proposing for the fiscal years ending June 30, 2024 and June 30, 2025.

Extensive System Reviews:

- Period Ending June 30, 2023: Purchasing and Related Expenditures

Extensive Systems Proposed:

- Period Ending June 30, 2024: Information Technology
- Period Ending June 30, 2025: Extraclassroom Activities

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BUSINESS PROCESSES AND SUBPROCESSES	*Control Risk*		*Audit Plan*		
GOVERNANCE AND PLANNING	**2023**	**2024**	**2023**	**2024**	**2025**
Governance and Control Environment	**M**	**M**	•	•	
Strategic Planning	**L**	**L**	•	•	
Budget Development and Budget Administration	**L**	**M**	•	•	
ACCOUNTING AND REPORTING	**2023**	**2024**	**2023**	**2024**	**2025**
Assessing Financial Condition	**L**	**L**	•	•	
Financial Accounting and Reporting	**H**	**M**	•	•	
Auditing	**M**	**L**	•	•	
State Aid and Grants	**L**	**M**	•	•	
REVENUE AND CASH MANAGEMENT	**2023**	**2024**	**2023**	**2024**	**2025**
Cash Receipts and Revenue	**M**	**M**	•	•	
Cash and Investment Management	**M**	**M**	•	•	
PURCHASING AND RELATED EXPENDITURES	**2023**	**2024**	**2023**	**2024**	**2025**
Purchasing	**L**	**L**	• ,✔		
Accounts Payable and Cash Disbursements	**L**	**L**	• ,✔		
Travel and Conferences	**L**	**L**	• ,✔		
PAYROLL, HUMAN RESOURCES, AND BENEFITS	**2023**	**2024**	**2023**	**2024**	**2025**
Payroll Processing and Related Expenditures	**L**	**L**	•		
Human Resources	**M**	**M**	•		
Benefits	**L**	**L**	•		
FACILITIES, CAPITAL PROJECTS, AND CAPITAL ASSETS	**2023**	**2024**	**2023**	**2024**	**2025**
Facilities Maintenance	**M**	**M**	•	•	
Capital Projects	**L**	**L**	•	•	
Capital Assets and Inventory	**L**	**M**	•	•	
STUDENT SERVICES	**2023**	**2024**	**2023**	**2024**	**2025**
Student Transportation	**L**	**L**	•		
Food Service	**L**	**L**	•		
Extraclassroom Activities	**M**	**M**	•		■
STUDENT RELATED DATA AND SERVICES	**2023**	**2024**	**2023**	**2024**	**2025**
Student Attendance	**L**	**L**	•		
Reliability of Student Performance Data	**L**	**L**	•		
Student Security and Safety	**L**	**L**	•		
INFORMATION TECHNOLOGY	**2023**	**2024**	**2023**	**2024**	**2025**
Policies and Governance	**M**	**L**	•	■	
Data Backup and Recovery Processes	**M**	**L**	•	■	
Data Security and Cybersecurity Risks	**M**	**M**	•	■	

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

PROCEDURES PERFORMED, OBSERVATIONS, AND RECOMMENDATIONS

GOVERNANCE AND PLANNING

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

- Interviewed key personnel involved in the governance and planning processes.
- Reviewed published Board policies and procedures on the District's website and verified the District has adopted all legally required Board policies per the New York State School Boards Association (NYSSBA).
- Verified Board members and key business office staff routinely attend training programs to ensure they understand their duties and responsibilities with the data provided to them.
- Examined treasurer's reports provided to the Board for November 2023 and February 2024 and verified reports include the following reports: treasurer's reports with all bank balances and reconciled cash balances, trial balances, and revenue and appropriation status reports for all funds.
- Verified the District has a written strategic plan that includes mission and vision statement, goals and objectives, and performance measures. We also verified this plan is available publicly on the District's website.
- Sampled ten (10) budget transfers made during the year to ensure budget transfers are performed in accordance with written policies and procedures, adequate supporting documentation is retained for all transfers, and each budget transfer went through at least two levels of approval.

Observation: The District does not have the following legally required Board policies posted to the policy manual:

- 8130.2 Workplace Violence Prevention as required by Labor Law §27-b and 12 NYCRR §800.6e
- 9520.6 Policy on the Rights of Employees to Express Breast Milk in the Workplace as required by Labor Law §206-c.

Recommendation: We recommend the District review legally required board policies published by the New York State School Board Association semi-annually and ensure all legally required policies have been adopted and published in the District's policy manual.

Observation: 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.

Recommendation: We recommend the District review all the current policies and ensure each policy reflects the current operations of the District.

Observation: We noted two (2) out of the ten (10) budget transfers selected for testing were to increase non-contingent budget codes, which is prohibited in accordance with Section 170.2(1) of the Commissioner's Regulations, unless voter approved.

Recommendation: We recommend the District develop procedures in order to ensure all budget transfers are made in accordance with the Commissioner's Regulations, as well as District policy and procedures.

Observation: We noted the District does not have a written fund balance management plan outlining the District's funding and use of fund balance and reserves.

Recommendation: We recommend the District develop a written fund balance plan outlining funding goals, priorities, limits, and use of reserves.

Control Risk Ratings:

Governance and Control Environment **(M)**
Strategic Planning **(L)**
Budget Development and Budget Administration **(M)**

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ACCOUNTING AND REPORTING

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

- Interviewed key personnel involved in the accounting and reporting processes.
- Developed an understanding of the accounting information system used by the District and verified the integrity of the financial information.
- Verified external audit reports are published on the District's website.
- Verified the claims auditor was Board appointed and properly documented in the reorganization minutes.
- Verified the Board is provided with trial balances, revenue, appropriation status reports for all funds monthly.
- Reviewed general fund reserves to ensure all reserves are allowable per New York State and within legal limitations.
- Reviewed the accounting information system permissions to ensure only employees who are authorized to record journal entries have the appropriate permissions.
- Reviewed the District's policies and procedures for compliance with Uniform Grant Guidance.
- Sampled ten (10) journal entries made during the year to ensure all journal entries are supported by adequate documentation that details the amount, accounts, purpose, and have been approved by an appropriate supervisor.

Observation: We noted two (2) out of ten (10) journal entries selected for testing did not include supporting documentation showing who initiated and approved the journal entry. As a result, we were unable to determine who the preparer of the entry was nor whether the entry was appropriately reviewed and approved by an appropriate administrator.

Recommendation: We recommend the District retain support for the preparer and reviewer of all journal entries.

Observation: We noted the District's policies for federally funded grants do not include all the required elements of Uniform Grant Guidance. Policies include but are not limited to the following:

- Developing a framework for analyzing allowable costs and federal cost principles.
- Developing procurement policies outlining methods of procurement, debarment and suspension, and contracting with small and minority businesses.
- Policies regarding cash management, advance payments, reimbursements and program income.
- Require personnel paid with federal funds to maintain time and effort certifications as well as payroll and compensation policies.

Recommendation: We recommend the District utilize the federal procedural manual created by the Association of School Business Officials and tailor the policies to the District. We recommend this manual be reviewed and approved by the Board.

Control Risk Ratings:

Assessing Financial Condition **(L)**	Auditing **(L)**
Financial Accounting and Reporting **(M)**	Grants (**M**)

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REVENUE AND CASH MANAGEMENT

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

- Interviewed key personnel involved in the revenue and cash management process.
- Reviewed employee duties to ensure employees who record cash receipts into the accounting information system are properly segregated from duties that involve depositing cash and bank reconciliation duties.
- Verified outgoing wire transfers are required to be initiated and released by two different employees.
- Examined the District's investment strategy noting the District only invests excess cash in high interest savings accounts and verified investments are in accordance with Board

approved policies.

- Verified the District actively monitors third-party collateral and reconciles bank balances to collateral statements monthly.
- Reviewed all March 2024 bank reconciliations to ensure bank reconciliations are accurately prepared, do not include any significant or unusual reconciling items, and verified evidence of a review by a supervisory official.
- Sampled five (5) receipts to ensure the District retains adequate supporting documentation for all receipts and verified all receipts are timely deposited.
- Sampled five (5) account receivable balances greater than 90 days as of February 2024 to ensure the receivable balance was valid and to determine if evidence exists of collection efforts performed on outstanding balances is properly documented.

Observation: We noted five (5) of the District's bank reconciliations contained outstanding checks greater than one year.

Recommendation: We recommend the District review these bank reconciliations and remove old and outstanding items greater than one year from the bank reconciliations.

Observation: Two (2) out of the five (5) cash receipts selected for testing had insufficient supporting documentation for the receipt.

Recommendation: We recommend the District establish procedures to retain the following as supporting documentation for all cash receipts:

1) A copy of the check or letter with the reason for the cash received
2) A deposit slip or bank confirmation showing the funds were deposited to a District-owned bank account
3) A cash breakdown which lists the name of individual paying, amount, and payment method.

Observation: We noted the District has approximately $800,000 in receivables outstanding for more than 90 days as of February 28, 2024.

Recommendation: We recommend the District periodically review outstanding receivable balances, document follow-ups, and write off any balances deemed uncollectible.

Control Risk Ratings:

Revenue, Billings, and Receipts **(M)**
Cash and Investment Management **(M)**

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FACILITIES, CAPITAL PROJECTS, AND CAPITAL ASSETS

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

- Interviewed key personnel involved in the facilities, capital projects, and capital assets processes.
- Verified if the District has developed a five-year facility plan and verified that the plan is accurate and updated periodically.
- Obtained an understanding of the District's policies and procedures surrounding capital projects, including determining construction costs, retainage, change orders and project completion procedures.
- Verified the District performs a physical inspection of equipment periodically.
- Sampled five (5) equipment and vehicles acquired between 1987-2006 included in the District's capital asset listing schedule to ensure the asset exists, in working condition, and in the correct location.

Observation: 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 develop a long-range plan for educational facilities and replacement purchases.

Observation: We noted five (5) out of (5) equipment and vehicles selected for testing were no longer with the District and were not removed timely from the capital asset listing.

Recommendation: We recommend the District perform periodic inspections of capital assets and document whether the asset exists, is in working condition, and is in the correct location. Assets that are no longer with the District should be removed from the capital asset listing.

Control Risk Ratings:

Facilities Maintenance **(M)**
Capital Projects **(L)**
Capital Assets **(M)**

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Status of Prior Year Observations:

Area: Governance and Control Environment:

Observation: The District did 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.

Status: *Partially Implemented.* See current year findings for missing policies.

Observation: 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.

Status: *Not Implemented.*

Control Risk: Moderate (**M**)

Area: Financial Accounting and Reporting:

Observation: The District's internal policies require journal entries to be reviewed and approved by the Assistant Superintendent for Business. We tested five (5) journal entries and noted four (4) out of the five (5) tested lacked documentation or evidence of the Assistant Superintendent for Business's review.

Status: *Not Implemented.* During our current year testing, we noted two (2) out of ten (10) journal entries selected for testing did not include documentation for who approved the journal entries.

Observation: We noted one (1) out of five (5) entries tested had no documentation or evidence of the employee who initiated the entry.

Status: *Not Implemented.* During our current year testing, we noted two (2) out of ten (10) journal entries selected for testing did not include documentation for who initiated and approved the journal entries.

Control Risk: Moderate (**M**)

Area: Auditing:

Observation: The single audit is required to be submitted to the Federal Audit Clearinghouse (FAC) 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.

Status: *Implemented.* During our current year testing, we verified the 2023 single audit report was submitted to the FAC before the due date.

Control Risk: Low (**L**)

Area: Human Resources:

Observation: The District did not have an employee handbook which outlines the District's employment policies, laws and regulations, compensation policies, employee benefits, and employee conduct and workplace information.

Status: *In-progress.*

Control Risk: Moderate (**M**)

Area: Facilities and Maintenance:

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

Status: *Not Implemented.*

Control Risk: Moderate (**M**)

Area: Extraclassroom Activities:

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

Status: *Not Implemented.*

Control Risk: Moderate (**M**)

Area: Information Technology: Policies and Governance

Observation: The District did not develop and adopt 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.

Status: *Implemented.* We obtained a copy of the current disaster recovery plan and verified all the recommended elements were included.

Control Risk: Low (**L**)

Area: Data Backup and Recovery Process:

Observation: 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 did not retain a log, or results of the tests performed over application data and file server recovery.

Status: *Implemented.* We examined a copy of the test restore log retained by the District and verified a test restores were performed monthly and the results of the test were documented.

Control Risk: Low (**L**)

Area: Data Security and Cybersecurity Risks:

Observation: The District did not have cybersecurity breach detection sensors deployed throughout the IT network.

Status: *Not Implemented.*

Observation: The District did not encrypt sensitive data on servers, individual computers and portable devices.

Status: *In-Progress.*

Observation: The District does not perform penetration testing periodically to identify, assess, and address cybersecurity risks.

Status: *In-Progress.*

Control Risk: Moderate (**M**)