# East Islip Union Free School District

## Risk Assessment Update Report

October 1, 2026

**EAST ISLIP UNION FREE SCHOOL DISTRICT**
Islip Terrace, New York

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

**Risk Assessment Update Report**

To the Board of Education and Audit Committee
East Islip Union Free School District
Islip Terrace, New York

We have performed the annual risk assessment update for the East Islip Union Free School District ("the District") as required by Chapter 263 of the Laws of New York, 2005, and as per our engagement letter of July 1, 2026.

This engagement is in accordance with certain guidelines within the *Global Internal Audit Standards* issued by the Institute for Internal Auditors, as well as certain guidelines promulgated by the New York State Education Department, as applicable. This engagement is a consulting engagement and will consist of procedures designed to identify observations, findings, and recommendations; it will not result in an audit opinion or any other form of assurance. We will perform this engagement in accordance with applicable professional consulting and internal auditing standards mentioned above.

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 key controls that are currently in place to address those risks.

These procedures were primarily performed through inquiries and walkthroughs with 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 or provide assurance on the internal controls of the District, and accordingly, we do not express an opinion or any form of assurance. 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.

The objective of this engagement is to update the District's risk assessment and assist management and the Board in identifying key risk areas and prioritizing internal audit and oversight activities.

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 ("the 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 required by NYSED.

Cullen & Danowski, LLP

Port Jefferson Station, New York
October 1, 2026


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**EAST ISLIP UNION FREE SCHOOL DISTRICT**
**Introduction**
October 1, 2026

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 inquiries and walkthroughs. 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 risk assessment update and detailed testing of certain areas 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 that can be identified for testing during the coming year. The decision of which processes to review in detail is at the discretion of the Audit Committee.

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 | September 30, 2025 | District-wide |
| Detailed Testing | September 30, 2025 | Employee Benefits |

***Note**: the Detailed Testing Report dated October 1, 2026, related to human resources, was recently issued and those recommendations will be included in next year's 2027-28 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 receipt of the final report, 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.

**EAST ISLIP UNION FREE SCHOOL DISTRICT**
**Risk Assessment Table**
October 1, 2026

*(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 | |
| **Revenue and Cash Management** | | | | |
| Revenue Management | | M | M | |
| Billings | 11/21/22 | L | L | |
| Collections and Posting of Receipts | 11/21/22 | L | L | |
| Cash and Investments Management | | M | M | |
| Bank Activity and Reconciliations (SR) | 06/07/23 | L | L | |
| **Payroll** | | | | |
| Payroll Accounting and Reporting | | M | M | ✓ |
| Tax Filings and Reconciliations | | M | M | ✓ |
| Payroll Distribution | | M | M | ✓ |
| **Human Resources** | | | | |
| Employment Recruitment and Hiring | 10/01/26 | M | M | |
| Employee Administration and Separation | 10/01/26 | M | M | |
| Employee Attendance | 10/01/26 | M | M | |
| **Benefits** | | | | |
| Administration | 09/30/25 | M | L | |
| Payments and Cost Sharing | 09/30/25 | M | L | |
| **Purchasing and Related Expenditures** | | | | |
| Purchasing System and Process | | M | M | |
| Payment Process | | M | M | |
| Credit Cards | | M | M | |

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

**EAST ISLIP UNION FREE SCHOOL DISTRICT**
**Risk Assessment Table (Continued)**
October 1, 2026

*(L=Low, M=Moderate, H=High)*

| **Business Process** Area | **Date of Detailed Testing*** | **Control Risk** | | **Proposed Detailed Testing** |
|---|---|---|---|---|
| | | **Prior Year** | **Current Year** | |
| **Grants and Special Education** | | | | |
| Grants Processing/Monitoring | | M | M | |
| Special Education (Financial Operations) | 12/16/20 | L | L | |
| **Facilities and Capital Projects** | | | | |
| Facilities Maintenance & Operations | 09/30/21 | L | L | |
| Capital Projects | | M | M | |
| **Capital Assets and Inventory** | | | | |
| Acquisition and Disposal | | M | M | |
| Maintenance and Inventories | | M | M | |
| **School Lunch** | | | | |
| Sales Cycle and System | 10/01/24 | L | L | |
| Purchasing and Inventory | 10/01/24 | L | L | |
| Federal and State Reimbursements | 10/01/24 | L | L | |
| Free and Reduced Lunch | 10/01/24 | L | L | |
| **Extraclassroom Activity Fund** | | | | |
| General Controls and Administration | | M | M | |
| Cash Receipts | | H | H | |
| Cash Disbursements | | M | M | |
| **Information Technology** | | | | |
| Governance | 10/30/23 | L | L | |
| Network Security | 10/30/23 | L | L | |
| Financial Application Security | 10/30/23 | L | L | |
| Disaster Recovery | 10/30/23 | L | L | |
| **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.

## KEY CHANGES FROM THE PRIOR YEAR'S RISK ASSESSMENT RELATED TO POLICIES, PROCEDURES, AND/OR CONTROLS (as of our fieldwork conducted during August 2026)

### *Governance and Planning*

**Board and Personnel Changes**

- The District has experienced several changes in leadership and key positions since the prior year. These changes include the Assistant Superintendent for Curriculum and Instruction; Executive Director for Student Achievement and Technology; Executive Director of STEM, MTSS, and Accountability; Director of Arts and Music; Connetquot Elementary School Principal; Ruth C. Kinney Elementary School Principal, as well as staff changes in the Business Office, Human Resources Department, Curriculum and Instruction Department, and Superintendent's Office. In addition, the District's central office administrative structure changed during the period, as the Assistant Superintendent for Human Resources and Administration position was retitled Deputy Superintendent effective July 1, 2026.

**Policy Update**

- The District has been actively reviewing and updating Board policies as needed, including *Policy #4529 – Use of Generative or Traditional Artificial Intelligence (AI) in Instruction; Policy #5152.1 – Admission of Foreign Exchange Students; Policy #5300 – Code of Conduct; Policy #5300-E – Guidelines for the Implementation of the School Discipline Policy; Policy #5425 – Automated External Defibrillators; Policy #5454 – Student Use of Automobiles, Electric Bicycles, and Scooters; Policy #8113 – Extreme Heat Condition Days;* and *Policy #8410 – Student Transportation*.

**Audit Committee and Corrective Action Plans**

- The District has an active Audit Committee that meets with the auditors, as required, and assists in the development and monitoring of Board-approved Corrective Action Plans as per Commissioner of Education Regulation §170.12(e)(4).

### *Accounting and Reporting*

**General Fund Deficit**

- The General Fund operated at a deficit of $1,428,451 for the year ended June 30, 2025 reducing the total General Fund's fund balance from $36,397,244 to $34,968,793, which was primarily due to the transfers of $6,043,457 to the Debt Service Fund for principal and interest payments and $3,000,000 to the Capital Projects Fund for a voter-approved capital reserve expenditure.

**Electronic Journal Entry Support**

- The District transitioned to an electronic journal entry approval process within nVision. Under the new process, the Treasurer enters each journal entry and attaches scanned supporting documentation, and the entry is not posted until it is electronically reviewed and approved by the Assistant Superintendent for Business.

**Bank Account Change**

- The District closed its account with Flushing Bank and transferred the unexpended balances for its remaining bond projects to a dedicated Bank of America account designated as "CIB Projects." Funds are transferred from this account to the District's disbursement account, as needed, to fund check warrants or settle interfund balances using preauthorized templates.

**Automated Check and ACH Returns**

- The District enhanced its banking controls by implementing automatic check and ACH returns on bank accounts not designated for disbursement activity. Under this control, checks and ACH debits presented against restricted accounts are automatically rejected, while transactions on accounts that permit them remain subject to positive pay matching and District-authorized ACH listings, reducing the risk of unauthorized or fraudulent disbursements.

## ***Payroll***

**Direct Deposit Remittances**

- The District transitioned the delivery of direct deposit remittances from email to the nVision Web portal, providing employees with centralized access while enhancing confidentiality and reducing the risk of unauthorized access to sensitive payroll information.

## ***Human Resources***

**Internal Audit Report**

- Refer to Cullen & Danowski's *Internal Audit Report on Detailed Testing* dated October 1, 2026, related to human resources for information about the detailed review of this area.

## ***Benefits***

**Internal Audit Follow-up**

- The District has actively addressed the recommendations from Cullen & Danowski's *Internal Audit Report on Detailed Testing* dated September 30, 2025, related to employee benefits (refer to the section below "status of prior observations and recommendations (closed items)").

## ***Grants***

**Internal Audit Report**

- Cullen & Danowski is completing a review of the federal funds procedure manual, and will issue the upcoming *Internal Audit Report on Detailed Testing* to include the findings and recommendations.

## ***Food Services***

**School Food Service Deficit**

- The Food Service Fund operated at a deficit of $45,361 for the year ended June 30, 2025, which decreased the total fund balance from $920,034 to $874,673 as part of the planned deficit that included free lunch Fridays for the High School and Middle School as well as free meals at Timber Point School for the 2024-25 year. The assigned, unappropriated fund balance amount of $868,013 exceeded the three-month average expenditure level allowable by federal regulations 7CFR Part 210.14(b), but remained below the NYSED's 6-month threshold for requiring submission of a spend-down plan. We found that the District has a plan in place to further reduce this fund balance to an amount below the three-month allowable level.

***Information Technology (IT)***

**Required Staff Training and Awareness**

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

**Instructional Technology Plan**

- The District submitted its 2026-2029 Instructional Technology Plan to NYSED, as required. The plan covers the period July 1, 2026 through June 30, 2029, and addresses the District's planned use of instructional technology, related resources, and technology integration initiatives.

**Internal Audit Follow-up**

- The District has continued to be active with addressing the recommendations from Cullen & Danowski's *Internal Audit Report on Detailed Testing* dated October 30, 2023, related to IT (refer to the section below "status of prior observations and recommendations (closed items)").

## CURRENT OBSERVATIONS AND RECOMMENDATIONS

*There are no new recommendations.*

## STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (OPEN ITEMS)

### PAYROLL, HUMAN RESOURCES, AND BENEFITS

#### Onboarding/Offboarding Meetings with Payroll and Benefits

Risk Assessment Update – 2025

We recommended that the District establish procedures requiring all new hires and separating employees to meet with payroll and benefits staff as part of the onboarding and offboarding processes. These meetings would promote consistent communication of payroll and benefits information while also ensuring the District collects all necessary documentation in a timely manner.

*Risk Assessment Update – 2026*

*We found that the District plans to address this recommendation during the 2026-27 year.*

### INFORMATION TECHNOLOGY

#### Backup Power System

Risk Assessment Update – 2025

We recommended that the District consider adding a long-term backup power solution for the High School Network Operating Center (NOC) and the Timber Point Elementary backup NOC, such as a properly sized standby generator with automatic transfer capability, to ensure continuity of network and communications during extended outages.

*Risk Assessment Update – 2026*

*We found that the District has obtained voter approval for adding the long-term backup power solutions for the High NOC and the Timber Point Elementary backup NOC locations and included these costs in a separate proposition on the ballot for the 2026-27 school year. In addition, the District plans to purchase and install portable power generator units to be used at the other schools.*

### IT Storage Closets

Detailed Testing – 2023

We recommended that the District improve controls and conditions related to the IT storage closets as follows:

a) Perform a cost/benefit analysis of installing an improved temperature control system that is properly designed for regulating temperatures and a heat detecting system within the areas.

b) Restrict the use of these areas to IT equipment and not allow the storage of non-IT supplies and cleaning apparatus to prevent the risk of potential damage to the IT equipment in these closets.

Risk Assessment Update 2024 and 2025

The District reviewed the conditions of its IT storage closets, including cooling, heat detection, access controls, and the storage of non-IT materials. Improvements were made in selected locations, including ventilation and card-access controls, while additional cooling, access, and storage enhancements remained in progress.

*Risk Assessment Update – 2026*

*We found that the District has improved temperature controls and enhanced conditions related to the IT storage closets that are shared with the Facilities Department by installing fencing with a locking gate restricting access to the IT equipment to appropriate employees within those storage areas. We also understand that the District plans to continue addressing the installation of swipe card readers on those doors to provide monitoring of the access to the storage areas.*

## STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (CLOSED ITEMS)

## PAYROLL, HUMAN RESOURCES, AND BENEFITS

### Employee Benefits – Written Formal Procedures

Detailed Testing – 2025

We recommended that the District formalize an employee benefit procedures document to outline the key procedures to ensure continuity during any staffing changes or turnover. This should include:

a. Basic procedures that should be performed for key areas, such as:
    i. Billing
    ii. Medicare Part B reimbursements
    iii. Opt-out of health insurance administration
    iv. Reconciliations

b. Indicate who the secondary reviewers of key reconciliation processes are to be clear and reduce the reliance on any single employee.

c. Send annual verification letters or certifications to confirm the retiree's continued eligibility to ensure contact payment information is accurate.

*Risk Assessment Update – 2026 (This item is now closed)*

*We found that the District developed formal written procedures for its employee benefit processes, including billing, Medicare Part B reimbursements, health insurance opt-out administration, and reconciliations. Our understanding is that the District will continue to build out and refine these procedures as responsibilities transition following recent personnel changes within the Business Office.*

**Medicare Part B – ACH Payments**

Detailed Testing – 2025

We recommended that the District pursue a change in method related to the payments of Medicare Part B reimbursements by moving to ACH payments instead of checks to enhance efficiencies by reducing the volume of checks and instances of potential unclaimed funds when the retirees do not cash checks.

*Risk Assessment Update – 2026 (This item is now closed)*

*We found that the District initiated the transition to ACH payments in June 2026 by notifying retirees and beginning to collect the required banking information. The 2026 Medicare Part B reimbursements, scheduled to be processed in 2027, will be issued via ACH, reducing the volume of checks and the associated risk of unclaimed funds.*

**Retiree Billings – Automatic Payment Process**

Detailed Testing – 2025

We recommended that the District consider setting up an automatic payment process related to the collections from the retirees who are billed by the District for their contributions towards health insurance to enhance efficiencies (e.g., bill.com). This would streamline the accounts receivable process by replacing the live checks collected from retirees with electronic transfers.

*Risk Assessment Update – 2026 (This item is now closed)*

*We found that the District evaluated options for automating the collection of retiree health insurance contributions, including pension deductions, and determined that the available options would not provide sufficient benefit over the current process. Accordingly, the District will continue collecting retiree contributions by check.*

**Employee Offboarding – ID Badge Collection**

Risk Assessment Update – 2025

We recommended that the District update its offboarding procedures to require that all separating employees return their physical ID badges in addition to deactivation. Adding this step will help maintain full control over issued credentials and further strengthen overall access security.

*Risk Assessment Update – 2026 (This item is now closed)*

*We found that the District has updated its offboarding procedures to require that all separating employees return any district-owned devices and their physical ID badges in addition to deactivation of the badges.*

## GRANTS AND SPECIAL EDUCATION

### Grants Processing/Monitoring – Personnel Activity Report (PAR) Forms

Risk Assessment Update 2023

We recommended that the District investigate the feasibility of using the nVision system or the SchoolFront system to facilitate the process related to the distribution and completion of the PAR forms.

Risk Assessment Update 2024

We noted that the HR Department is utilizing the nVision and SchoolFront systems to facilitate the process related to the distribution and completion of the annual salary notifications to employees. We suggested that the Business Office work with the HR Department to implement similar procedures to facilitate the distribution of the PAR forms.

Risk Assessment Update 2025

We found that the District was in the process of implementing this recommendation, which required creating a custom export from the nVision system for import into the SchoolFront system. Our understanding was that the functionality exists, and the District successfully tested the process; however, the feature to create a separate role that only has access to PAR forms was not currently available. The SchoolFront representative stated that this feature should be in place around January 2026.

*Risk Assessment Update – 2026 (This item is now closed)*

*We found that the District completed implementation of the new process, with PAR forms generated through a custom nVision report and uploaded to SchoolFront for electronic distribution and completion.*