Pelham Union Free School District

Risk Assessment Update Report

October 7, 2026

PELHAM UNION FREE SCHOOL DISTRICT
Pelham, New York

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Risk Assessment Update Report

To the Board of Education and Audit Committee
Pelham Union Free School District
Pelham, New York

We have performed the annual risk assessment update for the Pelham 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 March 6, 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 (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

Port Jefferson Station, New York
October 7, 2026

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PELHAM UNION FREE SCHOOL DISTRICT
Introduction
October 7, 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 interview process. 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 have 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 to be tested 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	October 3, 2025	District-wide
Detailed Testing	October 3, 2025	Human Resources, Employee Benefits (insurance contributions), and Payroll (budget account codes)

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 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 system.

PELHAM UNION FREE SCHOOL DISTRICT
Risk Assessment Table
October 7, 2026

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

Business Process Area	Date of Detail Testing*	Control Risk Prior Year	Control Risk Current Year	Proposed Detail Testing
Governance and Planning				
Governance Environment	(Memo)	M	M	
Control Environment		M	M	
Strategic Planning		L	L	
Budget Development		M	M	
Budget Administration		M	M	
Accounting and Reporting				
Assessing Financial Condition		M	M	
Financial Accounting and Reporting		M	M	
Auditing		L	L	
Financial Oversight		M	M	
Fund Balance Management		M	M	
Revenue and Cash Management				
Real Property Tax		M	M	
State Aid		M	M	
Medicaid		M	M	
Out of District Tuition		M	M	
Use of Facilities		L	L	
Donations		M	M	
Collection & Posting of Receipts	01/28/19	M	M	
Cash Management		M	M	
Investment Management		M	M	
Petty Cash		L	L	
Bank Reconciliations	04/10/23	L	L	
Grants and Special Education		L	L	
General Processing/Monitoring	06/01/22	L	L	
Grant Application	06/01/22	L	L	
Allowable Costs	06/01/22	L	L	
Cash Management	06/01/22	L	L	
Reporting and Monitoring	06/01/22	L	L	
Compliance	06/01/22	L	L	
Payroll, HR and Related Benefits				
Payments to Employees	02/19/18	M	M	
Allocation of Expenditures	02/19/18	M	M	
Payroll Withholdings	04/10/23	M	M	
Payroll - Budget Account Codes	10/03/25	M	M	
General Employee Administration	10/03/25	M	M	
Hiring/Separation of Employees	10/03/25	M	L	
Employee Attendance	05/05/20	M	M	
Employee Benefit Administration	12/22/20	L	(1) M	
Employee Benefits - Insurance Contributions	10/03/25	M	L	

* Indicates the issuance date of a detail testing (DT) report for that area.
(Memo) Cullen & Danowski, LLP reviewed written procedures in the business, human resources, and special education offices with a Memorandum issued on June 19, 2024.
(1) The change from low to moderate risk is based on the passage of time since the DT was performed several years ago.

PELHAM UNION FREE SCHOOL DISTRICT
Risk Assessment Table (Continued)
October 7, 2026

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

Business Process Area	Date of Detail Testing*	Control Risk Prior Year	Control Risk Current Year	Proposed Detail Testing
Purchasing and Related Expenditures				
PO System (2)	04/10/23	L	L	
Payments Outside PO System	05/05/20	L	(1) M	
Purchasing Process	05/05/20	L	(1) M	
Allocation of Expenditures	05/05/20	L	(1) M	
Payment Processing	05/05/20	L	(1) M	
Travel and Conferences		M	M	
Credit Cards		L	L	
Facilities				
Facilities Maintenance	12/14/15	M	M	
Construction Planning	12/14/15	M	M	
Construction Monitoring	12/14/15	M	M	
Construction Completion	12/14/15	M	M	
Fixed Assets				
Acquisition and Disposal	11/14/14	M	M	
Inventory	11/14/14	M	M	
School Environment				
Safety and Security		M	M	
Student Transportation				
Fleet Maintenance		M	M	
Risk Management		M	M	
Personnel Compliance		M	M	
Facilities Maintenance and Security		M	M	
Food Service				
Federal and State Reimbursement		M	M	
Sales Cycle and System		M	M	
Inventory and Purchases		M	M	
Eligibility Verification		M	M	
Extraclassroom Activity Fund				
General	01/28/19	M	M	
Cash and Cash Receipts	01/28/19	M	M	
Expenditures and Purchasing	01/28/19	M	M	
Inventories	01/28/19	M	M	
Student Related Data				
Tracking Student Attendance		M	M	
Student Performance Data		M	M	
Information System				
Governance	12/22/20	M	M	
Network Security	12/22/20	M	M	
Financial Application Security	12/22/20	M	M	
Other Application Security	12/22/20	M	M	
Disaster Recovery	03/24/17	M	M	
Financial Operations	03/24/17	M	M	

* Indicates the issuance date of a detail testing (DT) report for that area.
(1) The change from low to moderate risk is based on the passage of time since the DT was performed several years ago.
(2) Review of supporting documentation for purchases.

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

Governance and Planning

Board and Personnel Changes

- There have been changes to the Board and District personnel during the 2025-26 year since the prior risk assessment engagement, including new Board members and personnel changes involving the Siwanoy Elementary School Interim Principal, Payroll Clerk, and Registrar.

Ex-Officio Board Member

- In compliance with amendments to NYSED Law §1702, the District appointed a non-voting ex-officio student board member. This action ensures compliance with state requirements and enhances student engagement in board governance.

Policy Updates

- The District has been actively reviewing and updating Board policies as needed.

Audit Committee and Corrective Action Plans

- The District has 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).

NYS School Safety and Prevention Act

- The District implemented the requirements of Desha's Law (Education Law § 2801-a, as amended), including the adoption of cardiac emergency response procedures, AED accessibility, designation of trained responders, updates to safety plans, staff training, and public comment processes, as required by January 20, 2026.

88 Degree Classroom Temperature

- The District has established procedures to comply with the NYSED's 88-degree temperature rule, which requires districts to modify instructional activities when classroom temperatures reach or exceed 88 degrees. The District developed protocols to monitor building temperatures, communicate conditions to staff, and adjust student programming as necessary to ensure a safe learning environment. These procedures formalize responsibilities for facilities and instructional staff and establish clear guidance for when to relocate, modify, or suspend classroom activities in response to high-temperature conditions.

Bell-to-Bell Cellphone Ban

- The District implemented procedures to comply with the New York State "bell-to-bell" cellphone ban, which prohibits student cellphone use during instructional time. The District established guidelines for the collection, storage, and monitoring of student devices at the start of each instructional period, with return at the conclusion of the school day or designated instructional blocks. These procedures are intended to support instructional focus, reduce classroom disruptions, and align District practices with statewide requirements.

Student Elopement and Wandering

- The District adopted procedures to comply with the NYSED mandate effective September 2025, requiring protocols to manage student elopement and wandering. The District established guidelines for prevention, response, documentation, and staff training, and incorporated individualized strategies into plans for students with identified social-emotional needs. These procedures are intended to enhance student safety, reduce incidents, and align District practices with statewide requirements.

Accounting and Reporting

Revised Accounting for Compensated Absences (GASB 101)

- The Business Office revised the accounting of its compensated absences in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for year ended June 30, 2025. GASB 101 requires that compensated absences be recognized as a liability when the leave is attributable to services already rendered, the rights to leave accumulate, and the leave is more likely than not to be used for time-off or otherwise paid or settled. This revision ensured that the District's financial statements accurately reflect compensated absence liabilities in accordance with the new standard.

Revenue and Cash Management – Out of District Tuition

Internal Audit – Detailed Testing

- The detailed testing engagement related to out of district tuition for the 2025-26 year has been performed and the results including findings and recommendations will be included in Cullen & Danowski's *Internal Audit Report on Detailed Testing*.

Payroll, Human Resources, and Related Benefits

Internal Audit Report on Detailed Testing

- The District has been active in addressing the recommendations from Cullen & Danowski's *Internal Audit Report on Detailed Testing* dated October 3, 2025, related to human resources for information about the detailed review of this area. (refer to the *Status of Prior Observations and Recommendations (Closed Items)* section below).

Food Service

Internal Audit – Detailed Testing

- The detailed testing engagement related to food service for the 2025-26 year has been performed and the results, including findings and recommendations, will be included in Cullen & Danowski's *Internal Audit Report on Detailed Testing*.

Safety and Security

Tabletop Sessions

- The District set up Tabletop sessions and installed additional or upgraded surveillance cameras (interior and exterior) at the schools to enhance the safety and security protocols.

Information Technology (IT)

Required Staff Training and Awareness

- The District continues to require all staff to complete training courses related to safe internet use that include 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.

Disaster Recovery Plan

- There was an initiative in collaboration with the Lower Hudson Regional Information Center (LHRIC) and a third party vendor to create the disaster recovery plan that is aligned with the National Institute of Standards and Technology (NIST) Cybersecurity Framework 2.0 requirements and standards.

CURRENT OBSERVATIONS AND RECOMMENDATIONS

There are no new recommendations.

STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (OPEN ITEMS)

PAYROLL

Periodic Payroll Audits

Risk Assessment Update – 2024-25

We recommended that the District implement procedures requiring building principals or department heads periodically (e.g., September, January, and June) review an nVision system-generated payroll report of employees in their buildings to confirm that the individuals listed are current active employees of the District.

Risk Assessment Update – 2025-26

We note that there has been a change in the payroll clerk positions and the role was vacant during the past year with a part-time consultant assisting the District. We understand that the District plans to implement this recommendation during the 2026-27 year after filling the payroll clerk position.

Utilize Payroll Checklists

Detailed Testing – 2024-25

We recommended that the District create payroll checklists that include the key steps performed during the processing and review of each payroll cycle and any other key procedures (e.g., mid-year salary increases, vacation day buyouts, etc.) completed by the Payroll Clerk.

Risk Assessment Update – 2025-26

We found that the Business Office will work with the Payroll Clerk to create a payroll checklist to facilitate the process of ensuring completeness of the key steps to be performed during each payroll cycle and other key procedures during the year.

HUMAN RESOURCES

Manual Adjustments – Second Review

Detailed Testing – 2020-21

We recommended that the District consider a procedure in which manual adjustments for time awarded and regular time absence recording are reviewed by a second clerk. Criteria should be set regarding the frequency and timing of these reviews.

Risk Assessment Update – 2021-22 - 2023-24

We noted that this had not been implemented due to staffing challenges. Our understanding is that as part of the administrative re-organization, this issue will be re-examined during the 2024-25 year.

Risk Assessment Update – 2024-25

We found that the District has established a Human Resources (HR) Department, and was undertaking various initiatives, including plans to address this recommendation during the 2025-26 year.

Risk Assessment Update – 2025-26

We found that the District is considering a procedure in which manual adjustments for time awarded and regular time absence recording is reviewed by a second clerk. We understand that the HR Department is assessing the duties of the staff and will address this recommendation during the 2026-27 year as part of this assessment.

Leave of Absence Processes

Detailed Testing – 2024-25

We recommended that the District enhance the processes regarding LOA administration by implementing the following:

a) Require that LOA request forms are signed by the employee and submitted for Board approval prior to the LOA start date whenever feasible.

b) Issue and obtain the "Reply to Application for Leave" form to the employee immediately following Board approval, ideally before the employee begins a LOA.

c) Request the employee to sign the "Reply to Application for Leave" form within two weeks of receiving it to confirm understanding and acceptance of the LOA terms.

d) Consistently enter the Board approval dates of each LOA into the HR system and attach the corresponding Board minutes to the finalized LOA documentation in each file.

e) Attach a copy of the applicable Board minutes to the approved LOA documentation maintained in the employee's HR file.

f) Create a standardized checklist for each LOA case to ensure all required documents are collected, signed, and filed-such as the "Reply to Application for Leave" form, Board approval, HR letter, employee acknowledgment, and department notification.

g) Utilize the nVision system or another workflow management tool to track key LOA dates (e.g., submission, approval, return-to-work) and trigger automatic reminders to HR and employees to reduce potential delays and missed actions.

h) Develop a formal protocol for notifying affected departments (Payroll, IT, Security, etc.) when an employee begins or returns from a LOA. Include a routing slip or secure email confirmation process that documents when and to whom the notice was sent.

i) Perform periodic (e.g., quarterly, or semi-annually) reviews on a sample basis of active LOA files to confirm that all required forms, signatures, and supporting documents are present and timely. Any findings should be logged and shared with HR leadership for follow-up.

Risk Assessment Update – 2025-26

We found that the District has started to address this item and investigated a web-based program called eFMLA to facilitate the LOA processes, which is part of the 2026-27 budget. We understand that the HR Department plans to implement this recommendation during the 2026-27 year.

Annual Performance Evaluations

Detailed Testing – 2024-25

We recommended that the District ensure that all active employees receive annual performance evaluations as required by Board policy and applicable contracts. Consider assigning a staff member to track the completion of evaluations within the departments and schools and to follow up on any missing or overdue reviews. In addition, develop procedures to maintain written evaluations in the employees' HR files to be readily accessible for review and include the following:

a) Document exceptions, such as employee LOA, in the HR file when evaluations cannot be completed within the regular cycle.

b) Conduct an annual review of the employee evaluation files to verify compliance and identify any gaps in documentation.

c) Strengthening documentation practices, implementing tracking systems for evaluations and LOA, and assessing staffing capacity or automation opportunities to support operational efficiency and compliance.

Risk Assessment Update – 2025-26

We found that the District has improved the processes regarding the annual performance evaluations to ensure all active employees receive annual performance evaluations as required by Board policy and applicable contracts. This includes assigning staff the task of tracking the completion of evaluations and utilizing programs to facilitate the performance evaluation processes. In addition, the HR Department found that many of the narrative summary evaluations for the directors and assistant principals were missing from the HR employee files. The HR Department added these employees to the tracking schedule to ensure completeness of these evaluations for the 2025-26 year. The HR Department is also working with the staff under APPR (principals and teachers) under the new NYSED STEPS that has revisions related to the evaluations for these employees. The District plans to submit the draft plan to the NYSED for review by February 2027, with the goal of starting in the 2027-28 year. The District has until the 2030 year for this plan to be completed.

STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS (CLOSED ITEMS)

HUMAN RESOURCES

Assess the Department's Staff and Duties

Detailed Testing – 2024-25

We recommended that the District complete an assessment to determine whether current staffing levels in the HR Department are adequate to support the operations and duties. The current structure may not be sustainable long term and may increase the risk of delays, errors, and compliance gaps. The District should consider reassigning duties, hiring additional support staff, or leveraging automation within the nVision system to improve workload distribution and enhance processing efficiency. The District should also consider exploring cross-training opportunities with additional staff for coverage in case of absences and to reduce dependency risk.

Risk Assessment Update – 2025-26 (This item is now closed)

We found that the District has assessed the staffing levels and duties of the HR Department and increased the staff level to add a 0.5 full-time equivalent clerical position starting in April 2026. This clerk also works as a 0.5 full-time equivalent for the Information Technology Department. We also note that the HR Department has begun cross-training of the staff and will continue assessing the employees' tasks.

Web-Based Program

Detailed Testing – 2024-25

We recommended that the District Consider implementing the use of a web-based program (e.g., FileBound, SchoolFront, Frontline Central, etc.) to maintain the employees' files in the HR area. This would enhance operational efficiencies related to the retention of records and search/retrieval process to view documents, as well as reduce the need for maintaining hard copy records. We suggest a web-based program with functionality that provides automated reminders for missing or unsubmitted documents to allow the Department to determine if any records still need to be completed or provided.

Risk Assessment Update – 2025-26 (This item is now closed)

We found that the District included funding in the 2025-26 budget to purchase a web-based program. The HR Department investigated different programs and selected Frontline Central that includes the recruitment, onboarding, and analytics (provides data analysis across all Frontline platforms) modules. The implementation plan started with the new hires beginning in the 2026-27 year.

Completeness of Employee HR Files

Detailed Testing – 2024-25

We recommended that the District establish procedures to ensure that the employee HR files are complete and include the appropriate documents within their records related to hiring and separation of employees. We recommend that the District enhance the processes by implementing the following:

a) Require the use of an updated and standardized checklist for all new hires, ensuring it includes all required documents (e.g., appointment letters, Board minutes, background checks, credentials, transcripts, salary verification), and includes the completed checklist in the employees' HR file.

b) Maintain a copy of the official Board appointment minutes in each employee's HR file. Where timing is delayed, include interim documentation (e.g., confirmation email) until formal minutes are available.

c) Require that official transcripts, certifications, and other required credentials be verified and documented prior to the employee's start date. Unopened documents should be reviewed and included in the file with verification notation.

d) Ensure that offer and appointment letters are sent in advance of the employee's start date and reference Board approval, where applicable. Include a signed acknowledgment from the employee confirming receipt and acceptance.

e) Perform periodic reviews of new hire files (e.g., quarterly, or semi-annually) to ensure compliance with documentation standards. These reviews should be conducted by someone independent of the hiring process.

f) Utilize checklists, ensure timely Board approvals, credential verifications, maintain detailed records for salary and payouts, and conduct periodic file audits. These steps will enhance compliance, reduce risk, and promote enhanced efficiency during staff transitions.

Risk Assessment Update – 2025-26 (This item is now closed)

We found that the District has established procedures to ensure that the employee HR files are complete and include the appropriate documents within their records related to hiring and separation of employees by implementing the procedures listed above. The HR Department created a standardized checklist for all new hires to verify that all required documents are obtained as part of the hiring process and maintain these records in the respective employee files.

INFORMATION TECHNOLOGY

Penetration/Vulnerability Tests

Risk Assessment Update – 2024-25

We recommended that the District engage a third party to perform periodic network penetration and vulnerability assessments. The implementation of a routine testing schedule will enhance the District's ability to detect and address any potential cybersecurity threats. We also recommended that the District consider signing up for membership with MS-IASC to benefit from any cybersecurity tools or support offered through this membership so they can strengthen their network security protocols.

Risk Assessment Update – 2025-26 (This item is now closed)

We found that the District has engaged a third party to perform periodic network penetration and vulnerability assessments and signed up for membership with MS-IASC.