



**Pearl River School District**

**Annual Risk Assessment Update  
Pertaining to the Internal Controls  
of District Operations**

**December 2019**

## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURES**

The Board of Education  
Pearl River School District

We have performed the procedures enumerated below, which were agreed to by the Pearl River School District (the "District"), solely to assist the District. This agreed upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We have updated our December 2018 Risk Assessment by performing certain internal audit procedures pertaining to the time period starting January 1, 2019 through December 31, 2019. The updated Risk Assessment and related internal audit plan concentrates on the following key internal control areas:

- |                                       |                                |
|---------------------------------------|--------------------------------|
| • Governance and Planning             | • Fixed Assets                 |
| • Budget Development                  | • Food Service                 |
| • Accounting and Reporting            | • Extraclassroom Activity Fund |
| • Revenue and Cash Management         | • Information Systems          |
| • Grants                              | • Student Data Management      |
| • Payroll                             | • Pupil Personnel Services     |
| • Human Resources                     | • Transportation               |
| • Benefits                            | • Security and Safety          |
| • Purchasing and Related Expenditures | • Cyber Security               |
| • Facilities/Capital Projects         |                                |

Our engagement is limited in scope and will be confined to our agreed-upon procedures. We will not be conducting an audit or review of the district's financial statements and therefore we will not express an opinion or any other form of assurance on them.

At the end of our engagement, we will present the results of applying the agreed-upon procedures in the form of our findings in a report. Our accountants' report should be used only for the intent of the original users of this report and will include a statement indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. As such, using this report for anything other than the original intent of the agreed-upon procedures could mislead the readers. You must notify us immediately if the original users of the report change.

Very truly yours,

***Nawrocki Smith LLP***  
February 24, 2020



**Pearl River School District**

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**Pearl River School District**  
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**Risk Assessment Overview**

This Risk Assessment report provides a presentation of our view of the school district's risk pertaining to its financial operations. It gives the District's administration the information necessary to help optimize its overall performance. The report identifies, expresses, and prioritizes the key program risks so that the District's administration can focus on those areas most critical to its success. This analysis is used to define the District's risk profile. It will provide an overview of the risks facing the District's operations.

In accordance with the laws of New York, 2005, Chapter 263, all school districts and BOCES were required to establish an internal audit function no later than July 1, 2006 and be in operation no later than December 31, 2006. This function should include, at a minimum, development of a risk assessment of district operations, including but not limited to:

- A review of financial policies, procedures and practices
- An annual review and update of such risk assessment
- Annual testing and evaluation of one or more areas of the District's internal controls
- Preparation of reports which analyze significant risk assessment findings
- Recommended changes for strengthening controls and reducing identified risk; and specifying time frames for implementation of such recommendations

Pursuant to Section 170.12 – Regulations of the Commissioner of Education – School District Financial Accountability, each school district must prepare a corrective action plan, approved by the Board of Education in response to findings to final reports issued by the internal auditor. This plan should include expected dates of implementation and should be filed with the New York State Education Department.

**Internal Audit Objectives**

The objectives of our engagement are as follows:

- Develop an understanding of the critical business processes of the District within each functional area
- Identify and qualify risks based on the understanding of the business processes and stated business rules
- Identify stated controls that are currently in place to address those risks and ascertain if they are operating effectively
- Recommend improvements in internal controls

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**Scope and Methodology**

The Board of Education has engaged Nawrocki Smith as the District's internal auditor. In compliance with New York State Laws, we have performed an annual update to the District risk assessment with respect to policies, procedures, and internal controls pertaining to District operations. The procedures applicable to the annual update of the District's risk assessment were performed during the twelve months ending February 2020 and were carried out in order to determine an internal audit plan for fiscal year 2019/2020 and thereafter. This risk assessment will be updated annually to reflect any changes in the current control environment and the existing internal audit plan.

Our risk assessment consisted of the following methodology:

- Perform interviews of Administration and other appropriate personnel
- Document procedures within key Functional Areas
- Identify key controls and perform audit tests of those controls
- Assess effectiveness of the key controls
- Identification and review of organization structure
- Analysis of risks that are a threat to the achievement of objectives
- Create a risk profile and internal audit plan

In addition to the above procedures, we have also evaluated and considered the following within our overall risk assessment:

- District policies and procedures
- Recent focus of State Comptroller Audits
- Board of Education/Audit Committee Meetings
- Materiality to Financial Statements
- Changes in management or key personnel
- Financial reports provided to the Board
- External auditor management letters
- District corrective action plans
- Organizational chart and job descriptions

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**Internal Audit Risk Assessment Update Summary**

We have analyzed nineteen (19) Business Process areas within the District and have developed an internal audit plan based upon our assessment of each area. Each of the nineteen (19) Business Processes contains multiple categories for which an extensive cycle analysis will be performed during the proposed time period noted within the risk rating and internal audit plan. The plan as presented will be revised each year based upon the annual risk assessment update and events/requests that occur during the year which impact the priority of future internal audit services.

The results of our update risk assessment are summarized below and, in the tables, presented on pages 5 through 6. We have utilized a “Low,” “Moderate,” and “High” control risk rating assessment scale in our assessment of the District which is summarized below:

		<u>Current Year Ratings</u>				<u>Changes From Prior Year</u>		
		<u>Ratings</u>						
#	<u>Business Process</u>	<u>Low</u>	<u>Moderate</u>	<u>High</u>	<u>Total</u>	<u>Recommendation(s)</u>	<u>Category (*)</u>	<u>Count</u>
1	Governance & Planning	2	-	-	2	-	“High” to “Low”	- 0.00%
2	Budget Development	1	1	-	2	1	“High” to “Moderate”	- 0.00%
3	Accounting and Reporting	3	-	-	3	-	"Moderate" to “Low”	9 0.00%
4	Revenue & Cash Management	12	-	-	12	1	“Low” to “Moderate”	2 0.00%
5	Grants	5	-	-	5	-	“Moderate” to “High”	- 0.00%
6	Payroll	4	1	-	5	1	<b>Total</b>	<b>11 0.00%</b>
7	Human Resources	4	-	-	4	-		
8	Benefits	5	-	-	5	1		
9	Purchasing & Related Expenditures	4	1	-	5	1		
10	Facilities/Capital Projects	3	1	-	4	-		
11	Fixed Assets	2	1	-	3	-		
12	Food Services	4	1	-	5	-		
13	Extraclassroom Activity	-	4	-	4	5		
14	Information Systems	4	2	-	6	-		
15	Cyber Security	1	3	-	4	-		
16	Student Data Management	2	1	-	3	-		
17	Pupil Personnel Services	2	2	-	4	-		
18	Transportation	5	-	-	5	-		
19	Safety & Security	4	-	-	4	-		
<b>Total</b>		<b>67</b>	<b>18</b>	<b>-</b>	<b>85</b>	<b>10</b>		
<i>% of Total</i>		<i>78.82%</i>	<i>21.18%</i>	<i>0.00%</i>	<i>100.00%</i>			

(\*) Refer to pages 5 through 6 for business process rating changes.

- The District has completed or taken action on the thirty-two (32) prior risk assessment report recommendations as follows:

	<b><u>Complete</u></b>	<b><u>In-Process</u></b>	<b><u>Not Started</u></b>	<b><u>Total</u></b>
<b>Recommendations</b>	<b>20</b>	<b>7</b>	<b>5</b>	<b>32</b>

The recommended internal audit cycle to be performed during fiscal year 19/20:

<b><u>Cycle Review:</u></b>	<b><u>Other Planned Internal Audit Services:</u></b>
<ul style="list-style-type: none"> <li>Information Systems</li> </ul>	<ul style="list-style-type: none"> <li>Special Services Cycle Recommendations Follow-Up</li> <li>External Audit Corrective Action Plan Monitoring</li> <li>Annual Risk Assessment Update as of December 2020</li> </ul>

The internal audit plan as presented will be revised each year based upon an annual risk assessment update and events that have occurred during the year which will impact the priority of future internal audit services.

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**Risk Rating and Internal Audit Plan**

√ = Internal Audit Services Provided  
★ = Business Cycle Review Complete

X = Proposed Business Cycle Review  
T = Limited Testing of Business Process

			<b>RISK</b>				<b>YEAR OF SERVICE</b>		
	Business Process	Business Process Categories	Inherent	Control		Change from PY	Prior Years	20-21	Subsequent
				18-19	19-20				
<u>1</u>	<b><u>Governance and Planning</u></b>	1 Governance Environment	H	L	L	—			X
		2 Control Environment / Policies & Proc.	H	L	L	—			X
<u>2</u>	<b><u>Budget Development</u></b>	3 Budget Development	H	M	M	—			X
		4 Budget Monitoring & Reporting	H	M	L	▼			X
<u>3</u>	<b><u>Accounting &amp; Reporting</u></b>	5 Financial Accounting and Reporting	H	M	L	▼			X
		6 External/Internal/Claims Auditing	H	M	L	▼			X
		7 Fund Balance Management	H	L	L	—			X
<u>4</u>	<b><u>Revenue and Cash Management</u></b>	8 Real Property Tax	M	L	L	—			X
		9 State Aid	H	L	L	—			X
		10 Out of District Tuition/Reimbursable Exp.	M	L	L	—			X
		11 Use of Facilities	L	L	L	—			X
		12 Donations	M	L	L	—			X
		13 Vending Machines	H	L	L	—			X
		14 Cash Receipts	H	M	L	▼			X
		15 Cash & Investment Management	H	M	L	▼			X
		16 Petty Cash	L	L	L	—			X
		17 Bank Reconciliations	H	M	L	▼			X
		18 Online Banking	H	L	L	—			X
		19 Accounts Receivable	H	L	L	—			X
<u>5</u>	<b><u>Grants</u></b>	20 General Processing	H	L	L	—			X
		21 Grant Application	M	L	L	—			X
		22 Allowable Costs & Expenditures	H	L	L	—			X
		23 Monitoring	M	L	L	—			X
		24 Reporting	H	L	L	—			X
<u>6</u>	<b><u>Payroll</u></b>	25 Payroll Disbursements	H	L	L	—		X	
		26 Overtime Reporting	H	M	M	—		X	
		27 Payroll Accounting & Reporting	H	L	L	—		X	
		28 Payroll Tax Filings	H	L	L	—		X	
		29 Payroll Reconciliation	H	L	L	—		X	
<u>7</u>	<b><u>Human Resources</u></b>	30 Employment Requisition/Hiring	H	L	L	—			X
		31 Personnel Evaluation	H	M	L	▼			X
		32 Termination	H	L	L	—			X
		33 Employee Attendance	H	L	L	—			X
<u>8</u>	<b><u>Benefits</u></b>	34 Eligibility	H	L	L	—			X
		35 Benefit Calculations	H	L	L	—			X
		36 Patient Protection and Affordable Care Act	H	L	L	—			X
		37 Retiree Benefits	H	L	L	—			X
		38 ERS/TRS	H	L	L	—			X
<u>9</u>	<b><u>Purchasing and Related Expenditures</u></b>	39 PO System & Vendor Database	H	M	M	—			X
		40 Purchasing Process	H	L	L	—			X
		41 Payment Processing	H	L	L	—			X
		42 Employee Reimbursements	H	L	L	—			X
		43 Credit Cards	H	L	L	—			X

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√ = Internal Audit Services Provided  
★ = Business Cycle Review Complete

X = Proposed Business Cycle Review  
T = Limited Testing of Business Process

				RISK			YEAR OF SERVICE			
	Business Process		Business Process Categories	Inherent	Control		Change from PY	Prior Years	18-19	Subsequent
					18-19	19-20				
10	Facilities/Capital Projects	44	Facilities Maintenance & Work Order Process	H	M	M	—			X
		45	Construction Planning & Monitoring	M	L	L	—			X
		46	Capital Project Funding & Payments	M	L	L	—			X
		47	Recordkeeping & Reporting	M	L	L	—			X
11	Fixed Assets	48	Inventory/ Capitalization Policy	H	M	M	—			X
		49	Acquisition and Disposal	H	L	L	—			X
		50	Inventory Process & Recordkeeping	H	L	L	—			X
12	Food Service	51	Sales Cycle and System	M	M	M	—			X
		52	Inventory and Purchasing	M	L	L	—			X
		53	Free & Reduced Meals	M	L	L	—			X
		54	Federal and State Reimbursement	H	L	L	—			X
		55	Financial Reporting & Monitoring	H	L	L	—			X
13	Extraclassroom Activity Fund	56	General Controls	H	M	M	—		X	
		57	Revenue	H	M	M	—		X	
		58	Expenditures	M	M	M	—		X	
		59	Reporting	M	L	M	▲		X	
14	Information System	60	Governance	H	L	L	—			X
		61	Inventory	H	L	L	—			X
		62	Network Security	H	M	M	—			X
		63	Application Security	H	L	L	—			X
		64	Physical Security	H	L	L	—			X
		65	Disaster Recovery	H	M	M	—			X
15	Cyber Security	66	General Controls	H	M	M	—			X
		67	Information & Asset Security	H	L	L	—			X
		68	Vulnerability Assessment	H	M	M	—			X
		69	Incident Response & Recovery	H	M	M	—			X
16	Student Data Management	70	Registration & Enrolment	H	L	L	—			X
		71	Student Attendance	H	L	L	—			X
		72	Student Performance	H	M	M	—			X
17	Pupil Personnel Services	73	Budgeting and Planning	H	M	M	—	★		
		74	STAC Reimbursement	H	M	L	▼	★		
		75	Medicaid Reimbursement	H	L	M	▲	★		
		76	RFP and Contracts	H	M	L	▼	★		
18	Transportation	77	Fleet Inventory and Maintenance	H	L	L	—			X
		78	Bus Routing and Planning	H	L	L	—			X
		79	Labor and Supervision	H	L	L	—			X
		80	Contract Management	H	L	L	—			X
		81	Federal and State Reimbursement	H	L	L	—			X
19	Safety & Security	82	Plan Development & Strategy	H	L	L	—			X
		83	Building Access & Security System	H	L	L	—			X
		84	Compliance and Incident Reporting	H	L	L	—			X
		85	Safety & Security Monitoring	H	L	L	—			X



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**Inherent Risk** - Inherent risk pertains to the overall school district industry. Inherent risk is the risk of a material misstatement may occur assuming the absence of internal controls.

**Control Risk** - Control risk pertains specifically to the School District. Control risk is the risk that a material misstatement will not be detected and corrected by Management's internal controls on a timely basis.

**Risk Assessment Observations and Recommendations**

*Current Year Observations and Recommendations*

Budget Development
--------------------

1. The District has not prepared a multi-year budget or financial plan.
  - *The District should develop a long-term financial plan for operational expenses which should be updated on an annual basis and reviewed and approved by the Board of Education. A long-term financial plan will assist the District in the budget development process and will facilitate improved long-term planning.*

Revenue and Cash Management
-----------------------------

2. We conducted key control testing of cash receipts and noted instances, pertaining to the adult education program and lost books, where cash receipts were not deposited within two weeks of receipt.
  - *We recommend that all cash receipts be deposited within two (2) business days. This assists to ensure the accuracy of bank account balances and minimizes the possibility of theft or misplacement of cash or check.*

Payroll
---------

3. The District does not conduct employee payroll audits for all buildings.
  - *The District should consider conducting an employee payroll audit for all buildings. A periodic verification of the legitimacy of direct deposits and payroll checks may detect unauthorized or fictitious as well as terminated or retired employees mistakenly still on payroll. The District may accomplish this recommendation internally once a year when distributing the annual Form W2-Wage and Tax Statements and/or or have its internal auditors conduct this audit periodically.*

Benefits
----------

4. It was indicated that the District bills former employees for health insurance utilizing an invoice template in word.
  - *The Business Office should consider generating health insurance invoices through WinCap, which will reduce the risk of receivable becoming undetected and allow the Business Office to have a comprehensive and timely view of all cash receipts throughout the District.*

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Purchasing and Related Expenditures
-------------------------------------

5. The Business Office does not actively review its vendor database and related changes in vendor information. The lack of review of the vendor database is a risk as unauthorized vendors may exist and related payments can be processed.
- *The District should consider conducting with the assistance of Nawrocki Smith a vendor database analysis. This will allow the District to assess the current status of the database and at the same time identify solutions for on-going maintenance of the vendor database. This will help ensure only vendors with ongoing business activities with the District are active and prevent duplicate payments to vendors with multiple entries in the database.*

Extraclassroom Activity Fund
------------------------------

6. During our interview with the District Treasurer, we noted that there were instances where Extraclassroom Activity Clubs did not pay sales tax on purchases or report sales tax to New York State.
- *The District should ensure all Extraclassroom purchases contain sales tax. Extraclassroom clubs are not eligible to use the District Tax Exempt ID number. The Extraclassroom Activity Clubs should remit sales as required by New York State. The District should provide training to Extraclassroom Activity Advisors and Treasurers to review procedures applicable to sales tax.*
7. It was represented that Clubs do not utilize profit & loss statement in a consistent manner.
- *Student treasurers, with the assistance of faculty advisors, should prepare profit and loss statements for all fundraisers. This will ensure that students are involved in the tracking and recordkeeping of club activity and help determine whether fundraisers are profitable and whether they should be continued in the future.*
8. We conducted key control testing in the areas of cash receipts and cash disbursements and noted instances in which deposit request forms and check request forms did not have the proper approval or did not indicate the student's involvement.
- *The Club Advisors and Student Treasurers should review and sign off on the deposit request and check request forms to indicate the student's involvement with the cash receipt and disbursement processes.*
9. We conducted key control testing in the area of cash disbursements and noted instances in which transactions tested did not have proper documentation such as list of students or proof of payment.
- *The Club Advisors and Student Treasurers should attach all supporting documentation (i.e. detail of sales, fundraising detail, invoices, student lists, etc.) to the check request forms.*
10. We conducted key control testing and noted cash disbursement transactions tested that were not cancelled subsequent to payment.
- *The Club Advisors and Student Treasurers should cancel invoices once paid to ensure that duplicate payments are not made for the same goods/services.*

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***Status of Prior Year Recommendations***

We have performed follow-up internal audit services applicable to our previously issued initial risk assessment report dated December 2018. The services we performed included observing and evaluating the implementation status of the District's action plan in respect to our prior risk assessment recommendations. The December 2018 initial risk assessment identified thirty-two (32) recommendations within sixteen (16) distinct areas. The District has completed or taken action on the thirty-two (32) recommendations as follows:

<b><u>Business Process</u></b>	<b><u>Complete</u></b>	<b><u>In-Process</u></b>	<b><u>Not Started</u></b>	<b><u>Total</u></b>
Governance and Planning	-	2	-	2
Budget Development	2	-	-	2
Accounting and Reporting	2	-	-	2
Revenue and Cash Management	1	-	-	1
Grants	1	-	-	1
Payroll	1	-	-	1
Human Resources	3	-	-	3
Facilities/Capital Projects	2	1	-	3
Fixed Assets	1	-	-	1
Food Service	-	1	-	1
Extracurricular Activity Fund	3	-	-	3
Information Technology	-	-	2	2
Student Data Management	-	-	2	2
Pupil Personnel Services	1	-	-	1
Transportation	2	-	-	2
Cybersecurity	1	3	1	5
<b>Total</b>	<b>20</b>	<b>7</b>	<b>5</b>	<b>32</b>

<b>Governance and Planning</b>
--------------------------------

- The District should develop documented guidelines regarding the accounting and reporting, accounts payable, human resources, and payroll processes. Procedures should be periodically reviewed to ensure that responsibilities are adequately performed at the Business Office and comply with District policies. The District should develop formal job descriptions to describe the qualifications for each position as well as the duties assigned to the position within the Business Office. This is important as it enhances the understanding of each employee's responsibilities and provides opportunity to assess proper separation of duties and further cross training.

**Status at December 2019: In-Process**

- According to its Policy 2250 (Board Committees), the Board of Education should consider establishing advisory committees pertaining to policies, audits, and facilities. In selecting committees, the Board of Education should consider appointing members to the committees representing diverse stakeholder groups and have specialized knowledge. The Board of Education should also consider developing a charter for each committee to define their responsibilities, the required frequency of meetings, and how they will interface with the Board of Education, the Administration and the District's auditors.

**Status at December 2019: In-Process**

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<b>Budget Development</b>
---------------------------

- The Business Office should explore the software capabilities of WinCap to prevent expenditures creating negative balances in budgetary codes. Financial application controls that prevent the cost overruns or estimation errors will assist the District in monitoring year-to-date revenues and expenditures against corresponding budgetary estimates.

**Status at December 2019: Complete**

- The Business Office should finalize the standardized budget transfer form to document the request and approval of budget transfers. The budget transfer forms should document the requestor, the request date, the account codes, the approver, and the approval date and should be accompanied by explanation and documentation supporting the transfer. This will help identify any issues in the current budget, help create more accurate budget projections, and facilitate in the creation of a more accurate budget for the successive year.

**Status at December 2019: Complete**

<b>Accounting and Reporting</b>
---------------------------------

- The Business Office should establish a process whereby all journal entries are reviewed and approved by the Assistant Superintendent for Business. Also, the journal entry forms should document the signature of the individual approving the journal entry and the approval dates of each transaction. A supervisory review of the journal entries prevents an employee from entering improper entries into the system without being detected.

**Status at December 2019: Complete**

- Formal claims audit procedures should consist of:
  - a) Verification of the accuracy of invoices and claim forms.
  - b) Ensuring proper approval of all purchases; checking that purchases constitute appropriate expenses of the Organization.
  - c) Determining that purchase orders have been issued in accordance with purchasing policy.
  - d) Comparison of invoices or claims with previously approved contracts.
  - e) Reviewing price extensions, claiming of applicable discounts, inclusion of shipping and freight charges.
  - f) Approving all charges that are presented for payment which are supported with documentary evidence indicating compliance with all pertinent laws, policies and regulations.

The review function should be documented and communicated to the Board of Education monthly. At the Board's request, Nawrocki Smith will assist the Business Office in developing the aforementioned internal controls and sample claims audit reports and exhibits that will be utilized by the District. We will also conduct follow-up on effectiveness of new procedures and provide training in respect to the format and contents of a year-end report indicating the historic trend of the claims audit observations.

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The benefit of such reporting provides the District information pertaining to the clerical accuracy of the accounts payable processes and verification as to whether purchasing policies are being followed on a Departmental and employee level basis.

**Status at December 2019: Complete**

Revenue and Cash Management
-----------------------------

- The Business Office should review the necessity of each investment account and eliminate any unnecessary accounts.

**Status at December 2019: Complete**

Grants
--------

- Although the Business Office prepares and submits Form FS-25 – Request for Funds for a Federal or State Project on a minimum quarterly basis, we recommend the Business Office to review and verify within its internal records that the District received the awarded grant funds.

**Status at December 2019: Complete**

Payroll
---------

- All employee salaries and applicable wage rates should be properly authorized, approved, and documented to support the employee status and earnings reported in the payroll application, WinCap. When a formal process exists to document authorized changes to salaries and wages, the opportunity for fraudulent or erroneous payroll changes to occur without detection decreases. An alternative to the above recommendation is to analyze the capabilities of the WinCap application to issue an annual salary notice to all employees indicating their respective earnings for each current fiscal year. A copy of the employee salary notice should be maintained in the employee's file.

**Status at December 2019: Complete**

Human Resources
-----------------

- The Human Resource Department should consider exploring the software capabilities of WinCap to include with employees' leave accrual balances within the annual salary notices. Any discrepancies in the calculation of leave accrual balances should be communicated to the Human Resources Department for further investigation.

**Status at December 2019: Complete**

- The District should consider implementing timeclocks and an employee attendance management software that will communicate with the District's accounting management software to account for the entrances and exits of staff employed at the building level including the Facilities, Buildings and Grounds, and Security Departments.

**Status at December 2019: Complete**

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- Employee evaluations are used as a tool by Administrators to identify employees' strengths and weaknesses, document personnel decisions (including promotions, layoffs and transfers), and to meet legal requirements. The District should continue its efforts to evaluate the employees on an annual basis to adhere to the respective employee bargaining unit agreement or contract.

**Status at December 2019: Complete**

Facilities/Capital Projects
-----------------------------

- The Facilities Department should consider decentralizing the work order request process and allow District employees to directly input their requests into the system. This will eliminate the data entry process from the Facilities Department and will allow the Director – Buildings Grounds and Security to monitor effectively the completion status of work orders. Furthermore, the Facilities Department should consider utilizing ML Work Orders to its fullest potential and develop procedures to track supplies and labor used in a worker order. This will assist the Facilities Department in balancing supply inventories, in tracing reported time for a sample of items to actual timesheets to ensure agreement, and in analyzing and deciding on new equipment purchases.

**Status at December 2019: Complete**

- The Facilities Department should consider developing a formal and documented preventive maintenance schedule for District equipment and vehicles that will provide for:
  - Maintaining equipment in safe operating condition
  - Ensuring each equipment is operating at peak efficiency
  - Maximizing equipment life
  - Minimizing equipment service failures
  - Meeting or exceeding manufacturers' maintenance requirements
  - Maintaining a system of permanent equipment maintenance records
  - Administering an equipment warranty recovery program

A preventive maintenance schedule will assist the District in:

- Extending the life of building components, thus sustaining buildings' value.
- Helping the Facilities Department operate at peak efficiency, including minimizing energy consumption.
- Preventing failures of building systems that would interrupt school activities.
- Provide maintenance in ways that are cost-effective.

This will assist the Facility Department in increasing its controls over the timely completion of the scheduled routine service calls and ensure that preventative maintenance inspections are completed in a timely manner.

**Status at December 2019: In-Process**

- The District should consider the cost/benefit options of utilizing GPS technology to monitor all or some of District vehicles. A computerized monitoring system will allow the Director of Facilities to verify the location of each District vehicle, assess acceptable idle time and gas utilization, and receive real-time notifications of potential speeding violations.

**Status at December 2019: Complete**

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**Fixed Assets**

- The District should develop a “Transfer Request Form” indicating the request for movement of a fixed asset from building to building. The building level Administrator or Department Head who requests the movement should complete the standardized request form. The transfer request form should serve as a mode of communication to the Business Office to review and approve such request. Once reviewed, the Business Office, or another designated employee, should update the inventory schedule to reflect the status of the asset’s location.

**Status at December 2019: Complete**

**Food Service**

- The Food Service Department should establish quarterly reporting to the Business Office pertaining to the monitoring of the school lunch fund balance to ensure that the balance is not more than three-month's average expenditures. Federal Regulation, 7CFR Part 210.14b, limits the net cash resources within the school lunch fund to an amount that does not exceed three months average expenditures.

**Status at December 2019: In-Process**

**Extraclassroom**

- The Board of Education should review the necessity of each club and eliminate any unnecessary clubs. (Those for which there has been no financial and operational activity during the prior two (2) fiscal periods.) Disposing/re-allocating of remaining funds from a Club that no longer operates should be done in a consistent manner and approved by the Board of Education for each occurrence.

**Status at December 2019: Complete**

- The Board of Education should consider appointing Central Treasurers at the High School and Middle School to manage and account Extraclassroom activity fund at the building level. The District Treasurer should perform sample audits of the Club Advisors’ books and records. Audit results are documented and communicated with the Central Treasurers.

**Status at December 2019: Complete**

- The District should consider reviewing and updating, where needed, the District’s Extraclassroom activity training and guidance pertaining to the process of student involvement and attendance in fundraising, deposits, disbursements, sales tax, and accounting procedures.

**Status at December 2019: Complete**

**Information Systems**

- The District should consider developing a Disaster Recovery Plan to include its current backup and restoration procedures and the current stakeholders responsible to carry out the plan. Based upon our analysis of the current plan we recommend including the following:

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- Information pertaining to the backup and recovery programs for books and records that encompass both hard copy and electronic data.
- Identification and backup of mission-critical systems.
- Assessment and consideration of financial and operational risks.
- Definition of alternative communication options between employees and the organization.
- Establishment of alternative physical locations for employees, with special attention initially to employees who staff the organization's immediate offsite information systems recovery team(s).
- Impacts on critical constituents, external clients, government agencies and other relevant organizations in the event of a disruption of continual processing or service.
- Continuation of mandated, legislated regulatory reporting in the event of a disruption of continual processing or service.
- Established authorization and access rights to copies of the disaster recovery plan distributed to users.

The Information Technology Department should test the disaster recovery plan on an annual basis to ensure it works as intended and that users know their duties during a disaster. The testing results should be documented and formally communicated to the Superintendent of Schools.

**Status at December 2019: Not Started**

- The Information Technology Department should work with the LHRIC to develop a testing schedule of restoration procedures of the District's data backup for each critical application hosted at the LHRIC. Each backup restoration test should be performed on an annual basis to ensure that the restoration process works as intended and that the Business Office as well as other Departments are able to recover data and perform functions, if needed. District employees and/or Internal Auditors should participate during the restoration procedures. The testing results should be documented and communicated to the Superintendent of Schools for review.

**Status at December 2019: Not Started**

<b>Student Data Management</b>
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- The District should develop documented guidelines regarding the procedures, monitoring, and auditing of student performance. Documented guidelines should include procedures regarding requesting and approving student grade changes and monitoring audit logs pertaining to student grade changes made within the student data management application. Procedures should be periodically reviewed to ensure that responsibilities are adequately performed at the District.

**Status at December 2019: Not Started**

- The District should develop standardized request form for documenting the request and approval of a student grade change. Any requests to make grade changes should be made in writing directly to a Principal detailing the reason for the need to change, or record, a grade after the lockout date. Upon approval, the form should be forward to one individual other than Building Administrators to make the appropriate changes. This control will ensure that documentation is retained to show who authorized the grade change, the reason for the change, and who entered the student grade change in E-School.



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The District should explore the software capabilities within the student data management system to generate audit logs to monitor user access and student grade changes within lock out periods. The District should designate an individual separate from the users who enter student grades in the system to review and determine the appropriateness of student grade changes. The review process should be documented and formally communicated to the Assistant Superintendent for Curriculum and Instruction.

**Status at December 2019: Not Started**

<b>Pupil Personnel Services</b>
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- By April of each year, the Pupil Personnel Service Department should report to the New York State Education Department the annualized reimbursable special education tuition costs on the STAC forms for all district operated, BOCES and other public-school programs that exceed the District's high cost tuition threshold. To maximize aid, the Pupil Personnel Service Department should verify the student enrollment dates, the actual class sizes, the student's level of services determined by their IEPs, the salaries and benefits for all staff and substitutes that provide related services, equipment purchased for students, and other purchased services.

The Pupil Personnel Service Department should monitor periodically the status of the Excess Cost Aid to ensure that the District receives the estimated reimbursement amounts and communicate to the Business Office any identified discrepancies.

**Status at December 2019: Complete**

<b>Transportation</b>
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- The District should consider designating the Transportation Coordinator to review the transportation vendor invoices and verify that the reported claimed costs are accurate and that the reported services are supported by bus route schedules and requests for services. The review process should include a reconciliation of the bus and van rates between the invoices and contracts and a verification of the reported routes to the bus routing schedules prepared by the Dispatchers. In the event of reporting discrepancies, the Transportation Coordinator should contact the transportation vendors to resolve them. Upon approval, the Transportation Coordinator should date and signs off on the invoices and notify the Accounts Payable Department to process payments. This will enhance the Transportation Department's control over its accounts payable process and the monitoring of the Transportation Department's budget.

**Status at December 2019: Complete**

- The Transportation Department should consider requesting from its transportation vendors complete copies of a sample of bus driver DMV 19A files and perform spot checks of their files to ensure compliance with DMV 19A requirements.

**Status at December 2019: Complete**

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Cybersecurity
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- The District should adopt written policies and procedures to address breach notification. The policies and procedures should include a crisis management and communication plan that involves employees/individuals who handle PII and tested as appropriate. This should enable sufficient business continuity in event of a cyber security breach. Crisis management should include incident response and forensics, where warranted.

**Status at December 2019: In-Process**

- The District should develop and provide periodic cybersecurity awareness training for all employees including new hires, Information Technology Department, and job positions that handle PII. The training should explain the proper rules of behavior for using information technology systems, the insider type of threats from a cyber security perspective, and the implications of a cyber security breach. The training should also include guidance on use of social media, Bring Your Own Device (“BYOD”), and how to respond to a phishing or ransomware attacks.

**Status at December 2019: In-Process**

- The Information Technology department should develop an intrusion detection system (IDS) to inspect all inbound and outbound network activity and identify suspicious patterns that may indicate a network or system attack from someone attempting to break into or compromise the District’s network. By reviewing the recorded activity and any potential intruders into the network, the Information Technology Department will be able to determine if the firewall or IDS settings will indicate potential attacks or other problems that need to be addressed.

**Status at December 2019: Complete**

- The District should consider having a third party separate from the Information Technology Department conduct a penetration test to circumvent security features of the system and exploit vulnerabilities to gain unauthorized access. This is an effective way for The District to identify and prioritize the real-time risks to a network security environment.

**Status at December 2019: Not Started**

- The District should verify that its cybersecurity policy includes coverage clauses pertaining to network security and privacy liability, data recovery business interruption, privacy regulatory defense and penalties, crisis management and customer notification, data extortion, and payment card fines and penalties.

**Status at December 2019: In-Process**

**Exhibits**

***Exhibit I***      History of Internal Audit Reports Issued



**Pearl River School District  
History of Internal Audit Reports Issued  
Exhibit I**

<b><u>Report Type</u></b>	<b><u>Year</u></b>	<b><u>No. of Recommendations</u></b>	<b><u>Performed By</u></b>
Initial Risk Assessment	2018-2019	32	Nawrocki Smith LLP
Special Services Cycle	2018-2019	8	Nawrocki Smith LLP
Risk Assessment Update	2019-2020	10	Nawrocki Smith LLP