



Pearl River School District

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

February 2021

**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 2019 Risk Assessment by performing certain internal audit procedures pertaining to the time period starting January 1, 2020 through February 28, 2021. 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 | • Cybersecurity |
| • Payroll | • Student Data Management |
| • Human Resources | • Pupil Personnel Services |
| • Benefits | • Transportation |
| • Purchasing and Related Expenditures | • Security and Safety |
| • Facilities Maintenance | • Insurance / Risk Management |
| • 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 15, 2021



Pearl River School District

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of District Operations

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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 for the period ending February 2021 and were carried out in order to determine an internal audit plan for fiscal year 2020/2021 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.

INTERNAL AUDIT COVID PANDEMIC CONSIDERATIONS

As Districts are challenged in carrying out certain internal control procedures during the COVID pandemic, our risk assessment included the following environmental considerations:

- Has Management's risk tolerance increased allowing for a lower level of control effectiveness?
- Have staff changes (reorganization, furloughs, and terminations) impacted controls, processes, performance, and increased opportunities for potential fraud?
- Have segregation of duty conflicts been managed with changes in people and processes?
- Has Management assessed the impact to key processes and controls including technology?
- Has there been any material changes in internal control over financial reporting that will require disclosure in the previous and upcoming audit report?

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INTERNAL AUDIT RISK ASSESSMENT UPDATE SUMMARY

We have analyzed twenty-one (21) Business Process areas within the District and have developed an internal audit plan based upon our assessment of each area. Each of the twenty-one (21) 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 initial risk assessment are summarized below and, in the tables, presented on pages 5 through 7. We have utilized a “Low,” “Moderate,” and “High” control risk rating assessment scale of the organization.

<u>CURRENT YEAR RATINGS</u>		<u>CHANGE FROM PRIOR YEAR</u>	
<u>Rating</u>	<u>2019/2020</u>	<u>Category (*)</u>	<u>Count</u>
High	- 0.00%	“High” to “Low”	- 0.00%
Moderate	17 18.48%	“High” to “Moderate”	- 0.00%
Low	75 81.52%	“Moderate” to “Low”	3 75.00%
		“Low” to “Moderate”	1 25.55%
		“Moderate” to “High”	- 0.00%
Total	92 100.00%	Total	4 100.00%

Our February 2021 risk assessment update contains one (1) recommendation, as follows:

<u>Business Process</u>	<u>Ratings</u>				<u>Recommendation</u>
	<u>Low</u>	<u>Moderate</u>	<u>High</u>	<u>Total</u>	
Safety & Security	-	1	-	1	1
Total	-	1	-	1	1

The District has completed or taken action on the ten (10) prior risk assessment report recommendations as follows:

	<u>Complete</u>	<u>In-Process</u>	<u>Not Started</u>	<u>Total</u>
Recommendations	2	5	3	10

The selected intensive cycle and internal audit services to be performed during the next year include:

<u>Cycle Review:</u>	<u>Other Planned Internal Audit Services:</u>
• Extraclassroom Activity (20/21)	• Information Technology Cycle Recommendations Follow-Up
	• Annual Risk Assessment Update as of February 2022
	• Other Services Upon Request

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RISK RATING AND INTERNAL AUDIT PLAN

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

X = Proposed Business Cycle Review
T = Proposed Key Control Testing

	Business Process	Business Process Categories	RISK			YEAR OF SERVICE		
			Inherent	Control		Prior	20-21	Subsequent
				19-20	20-21			
1	Governance and Planning	1 Governance Environment	H	L	L			X
		2 Control Environment / Policies & Proc.	H	L	L			X
2	Budget Development	3 Budget Development	H	M	M			X
		4 Budget Monitoring & Reporting	H	L	L			X
3	Accounting & Reporting	5 Financial Accounting and Reporting	H	L	L			X
		6 External/Internal/Claims Auditing	H	L	L			X
		7 Fund Balance Management	H	L	L			X
4	Revenue and Cash Management	8 Real Property Tax	M	L	L			X
		9 State Aid	H	L	L			X
		10 Out of District Tuition/Reimb. 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	L	L			X
		15 Cash & Investment Management	H	L	L			X
		16 Petty Cash	L	L	L			X
		17 Bank Reconciliations	H	L	L			X
		18 Online Banking	H	L	L			X
		19 Accounts Receivable	H	L	L			X
5	Grants	20 General Processing	H	L	L			X
		21 Grant Application	M	L	L			X
		22 Allowable Costs & Expenditures	H	L	L		X	X
		23 Monitoring	M	L	L			X
		24 Reporting	H	L	L			X
6	Payroll	25 Payroll Disbursements	H	L	L		X	
		26 Overtime Reporting	H	M	L		X	
		27 Payroll Accounting & Reporting	H	L	L		X	
		28 Payroll Tax Filings	H	L	L		X	
		29 Payroll Reconciliation	H	L	L		X	
7	Human Resources	30 Employment Requisition/Hiring	H	L	L		X	
		31 Personnel Evaluation	H	L	L		X	
		32 Termination	H	L	L		X	
		33 Employee Attendance	H	L	L		X	

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RISK RATING AND INTERNAL AUDIT PLAN (Continued)

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

X = Proposed Business Cycle Review
T = Proposed Key Control Testing

	Business Process	Business Process Categories	Inherent	RISK		YEAR OF SERVICE		
				19-20	20-21	Prior	20-21	Subsequent
8	Benefits	34 Eligibility	H	L	L			X
		35 Benefit Calculations	H	L	L			X
		36 Patient Protection & Affordable Care Act	H	L	L			X
		37 Retiree Benefits	H	L	L			X
		38 ERS/TRS	H	L	L			X
9	Purchasing and Related Expenditures	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
10	Facilities Maintenance	44 Facilities Maintenance/Work Orders	H	M	L			X
		45 Staff Supervision	M	N/A	L			X
		46 Preventive Maintenance	M	N/A	M			X
		47 Coordination with Outside Vendors	M	N/A	L			X
11	Capital Projects	48 Construction Planning & Monitoring	H	L	L			X
		49 Capital Project Funding & Payments	M	L	L			X
		50 Recordkeeping & Reporting	M	L	L			X
12	Fixed Assets	51 Inventory/ Capitalization Policy	H	M	M			X
		52 Acquisition and Disposal	H	L	L			X
		53 Inventory Process & Recordkeeping	H	L	L			X
13	Food Service	54 Sales Cycle and System	M	M	M			X
		55 Inventory and Purchasing	M	L	L			X
		56 Free & Reduced Meals	M	L	L			X
		57 Federal and State Reimbursement	H	L	L			X
		58 Financial Reporting & Monitoring	H	L	L			X
14	Extraclassroom Activity Fund	59 General Controls	H	M	M		X	
		60 Revenue	H	M	M		X	
		61 Expenditures	M	M	M		X	
		62 Reporting	M	M	M		X	

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RISK RATING AND INTERNAL AUDIT PLAN (Continued)

✓ = Internal Audit Services Provided ★ = Business Cycle Review Complete	X = Proposed Business Cycle Review T = Proposed Key Control Testing
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	Business Process	Business Process Categories	RISK		YEAR OF SERVICE		
			Inherent	Control	Prior	20-21	Subsequent
				19-20 20-21			
15	Information System	63 Governance	H	L L	★		
		64 Inventory	H	L L	★		
		65 Network Security	H	M M	★		
		66 Application Security	H	L L	★		
		67 Physical Security	H	L L	★		
		68 Disaster Recovery	H	M M	★		
16	Cybersecurity	69 General Controls	H	M M			X
		70 Information & Asset Security	H	L L			X
		71 Vulnerability Assessment	H	M M			X
		72 Incident Response & Recovery	H	M M			X
17	Student Data Management	73 Registration & Enrolment	H	L L			X
		74 Student Attendance	H	L L			X
		75 Student Performance	H	M L			X
		76 Student Eligibility	H	N/A L			X
18	Pupil Personnel Services	77 Budgeting and Planning	H	M M	★		
		78 STAC Reimbursement	H	L L	★		
		79 Medicaid Reimbursement	H	M M	★		
		80 RFP and Contracts	H	L L	★		
19	Transportation	81 Fleet Inventory and Maintenance	H	L L			X
		82 Bus Routing and Planning	H	L L			X
		83 Labor and Supervision	H	L L			X
		84 Contract Management	H	L L			X
		85 Federal and State Reimbursement	H	L L			X
20	Safety & Security	86 Plan Development & Strategy	H	L L			X
		87 Building Access & Security System	H	L M			X
		88 Compliance and Incident Reporting	H	L L			X
		89 Safety & Security Monitoring	H	L L			X
21	Insurance / Risk Management	90 General	H	N/A L			X
		91 Policy Management	H	N/A L			X
		92 Claims Reporting	H	N/A 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 Pearl River 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

Safety and Security

1. We analyzed District's building access reports generated by the security management system and noted that certain active cardholders were not listed as active employees within the WinCap financial application.
 - *The District reviewed the results of our analysis and determined that these individuals are employees of Aramark and BOCES. It is recommended that the Human Resources Department reconcile the cardholder listing to the active employee listing in WinCap at the end of each year and update the card holder databases accordingly.*

Status of December 2019 Prior Year Recommendations

We have performed follow-up internal audit services applicable to our previously issued risk assessment update report dated December 2019. 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 2019 risk assessment update identified ten (10) recommendations within six (6) distinct areas. The District has completed or taken action on the ten (10) recommendations as follows:

<u>Business Process</u>	<u>Complete</u>	<u>In-Process</u>	<u>Not Started</u>	<u>Total</u>
Budget Development	-	1	-	1
Revenue and Cash Management	1	-	-	1
Payroll	-	-	1	1
Benefits	1	-	-	1
Purchasing and Related Expenditures	-	-	1	1
Extracurricular Activity Fund	-	4	1	5
Total	2	5	3	10

Budget Development

- 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.

Status at February 2021: In-Process

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Revenue and Cash Management

- 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.

Status at February 2021: Complete

Payroll

- 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 have its internal auditors conduct this audit periodically.

Status at February 2021: Not Started

Benefits

- 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.

Status at February 2021: Complete

Purchasing and Related Expenditures

- 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.

Status at February 2021: Not Started

Extraclassroom Activity Fund

- 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.

Status at February 2021: In-Process

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- 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.

Status at February 2021: Not Started

- 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.

Status at February 2021: In-Process

- 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.

Status at February 2021: In-Process

- The Club Advisors and Student Treasurers should cancel invoices once paid to ensure that duplicate payments are not made for the same goods/services.

Status at February 2021: In-Process

EXHIBIT

Exhibit I History of Internal Audit Reports Issued

Exhibit II Status of December 2018 Initial Risk Assessment Observations/Recommendations



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

<u>Report Type</u>	<u>Year</u>	<u>No. of Recommendations</u>	<u>Performed By</u>
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
Information Technology Cycle	2019-2020	5	Nawrocki Smith LLP
Risk Assessment Update	2020-2021	1	Nawrocki Smith LLP

Pearl River Union Free School District
Status of Initial Risk Assessment Observations/Recommendations
Exhibit II
2020/2021

#	Area	Fiscal Year	Auditor Comments	Auditor Recommendations	District Responses	Status
1	Governance & Planning	2018/2019	The District has not developed documented guidelines, specific job descriptions, or a formal program to cross-train its Business Office staff in respect to accounting and reporting, accounts payable, human resources, and payroll. Current procedures are carried out based upon the past practices and verbal guidelines provided by prior and current administration and employees.	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.	The Business Office and Personnel Office will work to prepare formal job descriptions for all positions.	Complete
2	Governance & Planning	2018/2019	The Board of Education has not established Advisory Committees pertaining to policies, audits, and facilities.	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.	The Administration will suggest the Board of Education to consider establishing advisory committees.	Complete
3	Budget Development	2018/2019	The Business Office has not established internal controls to prevent over-commitment of budgetary expenditures within its financial application system, WinCap. This is a risk as negative balances may appear at any time during the year.	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.	The Business Office is continually working to maximize Wincap software capabilities to increase internal controls. The District has set Wincap Purchasing controls such that employees preparing purchase Orders can only allocate any items purchased to budget codes that have sufficient funds to cover the expense. This control will eliminate negative balances in budgetary codes.	Complete
4	Budget Development	2018/2019	Budget transfers more than \$3,000 require approval of the Board of Education. The Business Office has not developed a budget transfer form to formally document the request and approval of budget transfers. In the past, Administrators sent email requests to the Business Office to conduct budget transfers to facilitate the prompt payment of bills. However, the Business Office is in the process of developing a standardized budget transfer form to document the request and approval of budget transfers.	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.	The Business Office has finalized a standardized budget transfer form and it is posted on the District website for easy access to all staff members.	Complete

Pearl River Union Free School District
Status of Initial Risk Assessment Observations/Recommendations
Exhibit II
2020/2021

#	Area	Fiscal Year	Auditor Comments	Auditor Recommendations	District Responses	Status
5	Accounting & Reporting	2018/2019	We have conducted limited key control testing in the journal entry area and based upon the testing procedures performed, we noted that certain journal entry forms did not contain the approval signatures or the approval dates.	The Business Office should establish a process whereby all journal entries are reviewed and approved by the Assistant Superintendent for Business prior to entering them into the system. 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.	All journal entries are now reviewed and approved by the Assistant Superintendent for Business on a monthly basis.	Complete
6	Accounting & Reporting	2018/2019	The District has contracted with an internal Claims Auditor to review the claims and the warrants on weekly basis. The review function of the accounts payable checks, supporting documentation, and check registers is documented and provided in a summary form to the Board of Education. Although the Claims Auditor is generally aware of the required audit procedures, there are opportunities for improvement in the overall process.	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 District had recently engaged with a new Claims Auditor who will institute formal claims audit procedures and prepare detail monthly reports for the Board of Education.	Complete
7	Revenue & Cash Management	2018/2019	We noted that the District maintains four (4) investment accounts that have limited activity and maintain minimal balances.	The Business Office should review the necessity of each investment account and eliminate any unnecessary accounts.	The Business Office has closed all unnecessary checking and investment accounts.	Complete
8	Grants	2018/2019	We noted significant variances between the budgetary and actual grants revenue reported during fiscal year 2017/2018 as follows:	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.	The Business Office now reviews and follows up on all outstanding accounts receivable on a regular basis.	Complete
9	Payroll	2018/2019	Although the Payroll Office maintains annual salary notices supporting the rate of pay of each employee for each fiscal year, the salary notices are not signed by the employees indicating their acknowledgment.	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 fiscal year. A copy of the employee salary notice should be maintained in the employee's file.	The Business Office is currently working to implement the Wincap Employee Self-Serve portal. The portal enables the District to electronic send out annual salary notices whereby employees can review and approve online. The salary notices are saved electronically on the Wincap Employee Self-Serve system.	Complete

Pearl River Union Free School District
Status of Initial Risk Assessment Observations/Recommendations
Exhibit II
2020/2021

#	Area	Fiscal Year	Auditor Comments	Auditor Recommendations	District Responses	Status
10	Human Resources	2018/2019	The Human Resource Department reviews the accrual leave balances of each employee on an annual basis. The review process is conducted by analyzing the date, amount, and type of leave days reported on the timesheets and in WinCap. However, the accrual leave balances are not documented and communicated to each employee within the annual salary notice.	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.	The Wincap Employee Self-Serve portal mentioned in Response #9 above also maintains leave balances for the employees to view.	Complete
11	Human Resources	2018/2019	All employees except for Facilities staff document the request and approval of their leave days through an online employee attendance application, AESOP.	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.	The District agrees with the recommendation and will consider implementation.	Complete
12	Human Resources	2018/2019	Instructional employees are evaluated in accordance with APPR guidelines. Non-instructional employees receive a formal evaluation from their immediate supervisor. Formal annual evaluation results are reviewed and signed by each individual employee, as required by the employment agreements. We conducted limited key control testing in the employee evaluation area for the fiscal year 2017/2018 and noted one instance where an employee evaluation was not maintained on file.	Employee evaluations are used as a tool by Administrators to identify employees' strengths and weaknesses, document personnel decisions (including promotions, layoffs and transfers), and 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.	The District agrees with the recommendation and will continue all efforts to evaluate employees.	Complete
13	Facilities & Capital Projects	2018/2019	Although the School Dude work order system has the functionality, the Facilities Department has not utilized the system to track supplies used in project, track labor hours for each work order/project, or track all work performed on an individual piece of equipment.	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 School Dude 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.	The District currently uses School Dude software to maintain all work orders. All work orders are processed through the Principal's and Director's offices so they are aware of all concerns. The District does not intend to allow all employees access to this system. The District has found that the School Dude system is not effective in tracking supplies and labor.	Complete

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14	Facilities & Capital Projects	2018/2019	The Director of Facilities does not maintain a monitoring schedule of the routine service calls and preventative maintenance services.	The Facilities Department should consider developing a formal and documented preventive maintenance schedule for District equipment and vehicles that will provide for: o Maintaining equipment in safe operating condition, o Ensuring each equipment is operating at peak efficiency, o Maximizing equipment life, o Minimizing equipment service failures , o Meeting or exceeding manufacturers' maintenance requirements, o Maintaining a system of permanent equipment maintenance records, o Administering an equipment warranty recovery program. A preventive maintenance schedule will assist the District in: o Extending the life of building components, thus sustaining buildings' value., o Helping the Facilities Department operate at peak efficiency, including minimizing energy consumption., o Preventing failures of building systems that would interrupt school activities., o Provide maintenance in ways that are cost-effective.	The Facilities Department will work to develop a formal preventative maintenance schedule for equipment and vehicles.	Complete
15	Facilities & Capital Projects	2018/2019	The Facilities Department does not utilized GPS technology to monitor vehicle usage, location, efficiency and performance.	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.	The District agrees with the recommendation and will consider implementation.	Not Started
16	Fixed Assets	2018/2019	The District does not have formal procedures to monitor the movement of capital assets on an occurrence basis. The lack of oversight in the fixed asset movements is a risk as the Business Office may not be able accurately document and monitor the movement of fixed assets and the District's property ledger may not accurately reflect the District's assets at the building level.	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.	The transfer of assets from one location to another is insignificant. However, the Business Office will develop an 'Asset Transfer Form' to be completed for those minor occasions.	Not Started
17	Food Services	2018/2019	The District's school lunch program had a positive fund balance that has exceeded its three (3) month average of school lunch fund expenditures during fiscal years 2015/2016 through 2017/2018 as follows:	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 in excess of 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.	The Business Office currently reviews the Food Service Fund on a regular basis and is aware of the excess Fund Balance. The District has been accumulating these funds to be used for planned Summer 2019 capital improvements in the HS kitchen and cafeteria.	Complete
18	Extracurricular Activity Fund	2018/2019	Based upon our analysis of the extracurricular activity financial statements we noted that certain clubs were financially inactive during the last two (2) fiscal years.	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.	The Business Office has created Extracurricular Activity Funds Policies and Procedures. All Club Advisors were trained in November 2018. The Business Office has reviewed all clubs and have reallocated any funds from non-student run accounts to Trust & Agency accounts.	Complete

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19	Extracurricular Activity Fund	2018/2019	The Board of Education has not appointed Extracurricular Treasurer for each school. Currently, the District Treasurer maintains records in WinCap indicating the receipts, disbursements, and balances for each extracurricular activity club. The District Treasurer prepares monthly bank reconciliations and prepares quarterly reports indicating the receipts, disbursements, and balances for each Extracurricular Activity Club to the Board of Education.	The Board of Education should consider appointing Central Treasurers at the High School and Middle School to manage and account Extracurricular 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.	The District agrees with the recommendation and will plan to add a Central Treasurer stipend for the 2019-20 School Year.	Complete
20	Extracurricular Activity Fund	2018/2019	The District Treasurer and Club Advisors utilize forms for the receipt and disbursement of funds. Although Club Advisors are generally aware of the required procedures and their attempts to utilize the standardized forms, there are opportunities for improvement in the overall process. During the course of our audit we noted that the deposit and payment request forms are not utilized in a consistent manner to indicate the students' involvement when the transactions are processed.	The District should consider reviewing and updating, where needed, the District's extracurricular activity training and guidance pertaining to the process of student involvement and attendance in fundraising, deposits, disbursements, sales tax, and accounting procedures.	The Business Office has created Extracurricular Activity Funds Policies and Procedures. All Club Advisors were trained in November 2018. The Business Office has reviewed all clubs and have reallocated any funds from non-student run accounts to Trust & Agency accounts.	Complete
21	Information Systems	2018/2019	The Information Technology Department has not developed a documented disaster recovery plan in respect to the District's active directory indicating the alternative processing procedures in the event of loss or interruption of the information technology function.	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. 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.	The District agrees with the recommendation and will consider implementation.	In Process
22	Information Systems	2018/2019	The Information Technology Department has not scheduled a full interruption test of the District's data backup to be conducted by the LHRIC and LHRIC's restoration procedures, to ensure that the system will perform as intended and that users know how to carry out their duties in the event of a disaster. The LHRIC evaluates the backups of the District's applications and data on a weekly basis.	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 Internal Auditors should participate during the restoration procedures. The testing results should be documented and communicated to the Superintendent of Schools for review.	The District agrees with the recommendation and will consider implementation.	In Process

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23	Student Data Management	2018/2019	The District has not developed documented guidelines pertaining to the procedures, monitoring, and auditing of student grade changes.	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.	The Assistant Superintendent for Curriculum and Instruction will work with the Principals and Guidance Counselors to document guidelines regarding the procedures, monitoring and auditing of student performance.	In Process
24	Student Data Management	2018/2019	The District does not have a formal form or procedure and only relies on emails to request a grade change. The failure to document approvals and the reasons for necessary student grade modifications increases the risk that such changes are not properly authorized and supported, which places the integrity of the student's permanent record at risk. The District has not developed monitoring audit logs within the student data management application to review potential unauthorized changes. The lack of review of audit logs increases the risk that unauthorized grade modifications could occur and become undetected.	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. 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.	The Assistant Superintendent for Curriculum and Instruction will work with the Principals and Guidance Counselors to document guidelines regarding the procedures, monitoring and auditing of student performance.	In Process
25	Pupil Personnel Services	2018/2019	The Pupil Personnel Service Department has limited oversight controls over the STAC approval forms, reconciliation of invoices to the STAC approval forms and the student's IEPs, and monitoring the status of reimbursements to the original amounts billed and submitted to the New York State Education Department.	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.	The District has selected the Pupil Personnel Service Department as the area for the Internal Audit detail review to be completed in Spring of 2019. Based on the results of this review, the District will determine where to institute internal controls.	Complete

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26	Transportation	2018/2019	It was represented that the Transportation Supervisor does not review vendor transportation invoices prior to payment processing.	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 sign 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 monitoring the Transportation Department's budget.	The Transportation Coordinator now reviews and approves all transportation vendor invoices before payment is made.	Complete
27	Transportation	2018/2019	The Transportation does not actively perform spot checks of the vendors' bus driver abstracts to ensure compliance with DMV 19A file requirements.	The Transportation Department should request from its transportation vendors at the beginning of each school year updates of their bus driver listings and abstracts. The Transportation Department should also 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.	The District agrees with the recommendation and will institute such a review on a regular basis.	Complete
28	Cybersecurity	2018/2019	The District has not developed cybersecurity security policies or formal documented procedures to address breach notification in the event there is a Personal Identifiable Information ("PII") compromise or breach. Without established policies and formal written procedures addressing notification of a breach of PII and periodic reporting to the Board, there is an increased risk that the School may lose important financial data and suffer serious interruption in operations.	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.	The District agrees with the recommendation and will consider implementation.	In-Process
29	Cybersecurity	2018/2019	The District has not developed a formal training regarding cybersecurity, phishing email, social engineering, protecting personally identifiable information, and social media guidelines and related risks.	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.	The District agrees with the recommendation and will consider implementation.	Complete

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30	Cybersecurity	2018/2019	The Information Technology Department has not implemented an intrusion detection system and does not actively monitor system alerts in respect to the District's network activity.	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.	The District agrees with the recommendation and will consider implementation.	Complete
31	Cybersecurity	2018/2019	The District has not conducted penetration tests to identify potential vulnerability within the school's network. The lack of penetration tests is a risk as The District may not be aware of the existence of security weaknesses.	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.	The District agrees with the recommendation and will consider implementation.	In Process
32	Cybersecurity	2018/2019	The District's insurance coverage is limited in respect to cybersecurity threat and breaches that may cause business and operational interruption damages.	The District should consider including in its insurance 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 industry fines and penalties.	The District agrees with the recommendation and will consider implementation.	Complete



Pearl River School District

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April 9, 2021

New York State Education Department
Office of Audit Services
89 Washington Avenue
Room 524 EB
Albany, NY 12234

To Whom it May Concern:

Below, please find the District's response to findings and recommendations of the Risk Assessment Report, which was performed by the district's internal auditors, Nawrocki Smith, LLP.

The Pearl River School District hereby submits a Corrective Action Plan for the Risk Assessment Report which is required under Section 170.12 of the Regulations of the Commissioner of Education in response to issues identified in the 2020/2021 Risk Assessment Report provided to the district by our internal auditors. Please note that the information below is intended to ensure that the district properly accounts for the findings contained in the report titled "School District, Risk Assessment Update Pertaining to the Internal Controls of District Operations, February 2021."

Recommendation #1

The District should review the results of our analysis and confirm the reasons surrounding the discrepancies between the building access and financial application systems. If the discrepancies pertain to former employees or duplicate entries, the District should deactivate the access rights to these cardholders. The District should establish a process Human Resources Department reconciles the cardholder listing to the active employee listing in WinCap at the end of each year and update the card holder databases accordingly.

Response

The Human Resources Department will establish a process whereby they reconcile the cardholder listing to the active employee listing in WinCap at the end of each year and update the card holder databases accordingly.

Very truly yours,

Ann Marie Tromer

Assistant Superintendent for Business