



Pearl River School District

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Darin V. Iacobelli
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Melville, NY 11747

Dear Darin:

The Pearl River School District (the 'District') has received the report titled "Pearl River School District, Initial Risk Assessment Pertaining to the Internal Controls of District Operations, December 2018."

The Board of Education and the District's Administration extend a thank you for the time and effort devoted to the initial risk assessment and the detailed examination of internal controls.

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 2018/2019 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.

Recommendation #1

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.

Response #1

The Business Office and Personnel Office will work to prepare formal job descriptions for all positions.

Recommendation #2

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.

Response #2

District Administration will suggest the Board of Education to consider establishing advisory committees.

Recommendation #3

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.

Response #3

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.

Recommendation #4

The Business Office should finalize a 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. The Board of Trustees should also develop a policy indicating the approval process of budget transfers based on threshold dollar amounts. Furthermore, the Business Office should explore the Senior Systems capabilities to generate a report of the recorded budget transfers for tracking purposes. 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.

Response #4

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.

Recommendation #5

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.

Response #5

All journal entries are now reviewed and approved by the Assistant Superintendent for Business on a monthly basis.

Recommendation #6

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.

Response #6

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.

Recommendation #7

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

Response #7

The Business Office has closed all unnecessary checking and investment accounts.

Recommendation #8

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.

Response #8

The Business Office now reviews and follows up on all outstanding accounts receivable on a regular basis.

Recommendation #9

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.

Response #9

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.

Recommendation #10

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.

Response #10

The Wincap Employee Self-Serve portal mentioned in Response #9 above also maintains leave balances for the employees to view.

Recommendation #11

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.

Response #11

The District agrees with the recommendation and will consider implementation.

Recommendation #12

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.

Response #12

The District agrees with the recommendation and will continue all efforts to evaluate employees.

Recommendation #13

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.

Response #13

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.

Recommendation #14

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.

Response #14

The Facilities Department will work to develop a formal preventive maintenance schedule for equipment and vehicles.

Recommendation #15

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.

Response #15

The District agrees with the recommendation and will consider implementation.

Recommendation #16

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.

Response #16

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.

Recommendation #17

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.

Response #17

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.

Recommendation #18

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.

Response #18

The Business Office has created Extraclassroom Activity Funds Policies and Procedures. All Club Advisors were trained in November 2018. The Business Office has reviewed all Clubs and have re-allocated any funds from non-student run accounts to Trust & Agency accounts.

Recommendation #19

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.

Response #19

The District agrees with the recommendation and will plan to add a Central Treasurer stipend for the 2019-20 School Year.

Recommendation #20

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.

Response #20

Same as response #18.

Recommendation #21

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.

Response #21

The District agrees with the recommendation and will consider implementation.

Recommendation #22

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.

Response #22

The District agrees with the recommendation and will consider implementation.

Recommendation #23

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.

Response #23

The Assistant Superintendent for Curriculum and Instruction will work with Principals and Guidance Counselors to document guidelines regarding the procedures, monitoring, and auditing of student performance.

Recommendation #24

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.

Response #24

Same as Response #23.

Recommendation #25

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.

Response #25

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.

Recommendation #26

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 contacts the transportation vendors to resolve them. Upon approval, the Transportation Coordinator should dates and signs off on the invoices and notifies 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.

Response #26

The Transportation Coordinator now reviews and approve all transportation vendor invoices before payment is made.

Recommendation #27

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.

Response #27

The District agrees with the recommendation and will institute such a review on a regular basis.

Recommendation #28

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.

Response #28

The District agrees with the recommendation and will consider implementation.

Recommendation #29

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.

Response #29

The District agrees with the recommendation and will consider implementation.

Recommendation #30

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.

Response #30

The District agrees with the recommendation and will consider implementation.

Recommendation #31

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.

Response #31

The District agrees with the recommendation and will consider implementation.

Recommendation #32

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.

Response #32

The District agrees with the recommendation and will consider implementation.

Thank you.

Regards,

A handwritten signature in black ink, appearing to read "Ann Marie Turner". The signature is written in a cursive, flowing style.