



**Michael T. Wolff, CIA  
Advisory Services**

Hudson City School District  
Attn: Board of Education/Audit Committee  
215 Harry Howard Avenue  
Hudson, New York 12534

February 22, 2024

Re: 2022-2023 Risk Assessment

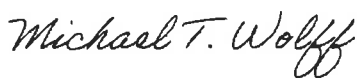
The 2022—2023 annual update of the Financial Risk Assessment for the Hudson City School District has been completed. The purpose of the engagement was to assist the District in complying with the regulations imposed by the 2005 School Financial Oversight and Accountability Legislation.

The financial risk assessment aims to review the internal controls that the District has in place to prevent errors, detect fraud, and ensure that financial reporting is accurate and that the District's assets are safeguarded. In the financial risk assessment, interviews with key staff to understand of the financial processes, internal controls, and general operating procedures. Additionally, transactions were randomly selected and tested for cash receipts, cash disbursements, journal entries, and bank reconciliations.

The beginning of the school year saw some risks relating to the residual effects of operating during a pandemic. Other risks during the year were associated with staffing changes and or shortages. Any time you have personnel changes, Internal controls and procedures can become inconsistent or overlooked any time there are personnel changes. Additionally, when there are vacancies in positions, it can create issues with the segregation of duties. The following pages summarize our examination findings and recommendations.

It was a pleasure working with the staff of the Hudson City School District, and if there are any questions concerning this report, the review, or if we can be of assistance in the future, please contact us.

Sincerely,



Michael T. Wolff, CIA  
Internal Control Specialist  
Michael Wolff Advisory Services

### Comments and Recommendations

The items listed below summarize the risk assessment update for the 2022-2023 year.

The general comments in this report can be categorized as follows:

- a. **Observations:** These comments will note what we observed or identified during our review.
- b. **Comments:** These are areas that management should take note of, but these items do not rise to the level of requiring a corrective action plan (CAP).
- c. **Comments with a separate recommendation:** These comments with the recommendation should have a CAP approved by the Board of Education and must be included in the reports sent to NYSED. NYSED has requested that the individual/title responsible for that particular CAP item be named and an anticipated date for correction be included with the CAP.

### Risks Due to Change:

During the 2022-2023 school year, there were several changes in personnel. Any time you change in personnel, there is an increased risk of procedures and controls remaining consistent. There is also an inherent risk since there is a period for learning (i.e., the learning curve) and acceptance by the original organization for any changes new personnel implements. Here are some of the changes that took place during our audit period that may have impacted the school's risk profile.

- **Business Official**—the business official left in January 2023, and there was an interim business official until March 2023.
- **HR Manager**—The employee left in September 2022 and has not been replaced.
- **The claims auditor/account clerk/typist** left in September 2022. An interim Claims Auditor from Questar III BOCES performed the claims audit reviews until a permanent replacement could be appointed.
- **Transportation**— During 2021-22 the person overseeing Transportation retired and the responsibility was rolled under the business official. As a result of the change in business officials noted above, the transportation responsibilities went through the same changes of interim personnel.
- **Foodservices** — Although the management of Foodservices is outsourced to Cap Region BOCES, the personnel at BOCES changed during the 2022-2023 year.
- **Information Technology**—During the year, there was a change in the Director of Technology.

**Comment #1**— Since there were many changes in these areas, the procedures for the respective departments should be reviewed to ensure procedures and internal controls have been maintained. If there have been any changes, the department procedures should be updated. If there are no procedures, we recommend they be developed.

### Financial Area:

**Financial Reporting, Budgeting, and District Governance:** The oversight by the Board and Administration is imperative to ensure the assets of the District are protected, public funds are used appropriately, and the District is in compliance with various rules and regulations.

We reviewed the minutes of the Board meetings and related Board policies for June 2022 through March 2023. As part of this review, we analyzed the information given to the Board for content, timeliness, and transparency. We reviewed the process of establishing the budget, monitoring progress throughout the year, and performing budget transfers. We also reviewed the process of creating the annual financial reports and periodic reports that are presented to the Board of Education for monitoring purposes.

**Comment #1:** As noted above, during our review, there were personnel changes that resulted in reports not always being given to the Board in a timely manner to provide for adequate and timely monitoring of the school's business. Note, although informative discussions took place during the Board meeting, regular reports are recommended for both the Board's and public use. Some examples:

- We could not locate the July Treasurer's Report/bank reconciliation. The June Treasurer's report was presented in August. The following bank reconciliation we noted as being accepted and reviewed by the Board was the August, September, October, and November, which were collectively approved in January. Ideally, each month, the Board should receive the previous month's Treasurer's report.
- The First Budget Status Report received by the Board was on March 2023. It is usually recommended for this report to be reviewed by the Board from January on.
- We did not see consistent claims audit reports submitted to the Board for their review. The Claims Auditor works on behalf of the Board. It is recommended the Board receive a claims audit report on a monthly basis.
- A review of the Claims Auditor Policy #6650 states, "The claims auditor shall provide periodic written reports to the Board". The Board may want to review this policy and change it to monthly.

**Recommendation:** If an annual board meeting checklist does not exist, it is recommended that one is developed. The contents of the checklist should include the reports that should be presented, and at various intervals, the reports are presented. Although not entirely inclusive administration may want to refer to Questar III BOCES for their various documents on the reporting required through out the year.

**Payroll:** We reviewed the payroll process, including, hiring, performing background checks, maintaining personnel files, regulatory filings, terminations, preparing payroll, salary changes, vacation and sick time record keeping, benefits, and account reconciliations.

**Observations:** The staff appears knowledgeable in the areas of processing payroll and the procedures appear sound. There were no changes in procedures or personnel in this area during the year. Based on our review of procedures and our interview with the payroll manager, the risk profile for payroll hasn't changed.

**Cash Receipts:** We review the cash receipt process to ensure there are sound internal controls, for receiving, safeguarding, processing, and recording receipts. Included in this review were wire transfers, ACH transactions, tax receipts, miscellaneous cash receipts, and cafeteria funds. We also tested 33 cash receipt/journal transactions from 7/1/2022 through 4/30/2023 for proper documentation, accounting accuracy, and timeliness of deposits.

**Observations:** Our review noted the majority of cash receipts were well documented and deposited promptly. Immaterial items noted were discussed with management. We also noted that a previous area of concern, pool use receipts, had additional controls of a lockbox with restricted access put in place.

**Payables and Disbursements:** We reviewed the cash disbursement process to ensure there were sound controls for acquiring goods and services, receiving goods and services, processing competitive bids, and controls for the use of credit cards and petty cash. We also tested 35 cash disbursement transactions from 7/1/2022 through 4/30/2023 with no material exceptions noted. As part of the payable process, we reviewed the procedures performed by the Claims Auditor. There were no significant changes in purchasing and accounts payable personnel however, as noted in the employee changes, the claims auditor role changed during the year.

**Comment #1:** Our review noted the majority of cash disbursements were documented and properly processed however the following was noted:

- There were seven invoices that were paid without the “responsible/receiving person” signing off on the invoice and marking it as “okay to pay”.
- In the area of food services, the delivery receipts are signed off on by the food service manager and not the employee who is actually receiving the deliveries. This is particularly important with food services since occasionally damaged or spoiled goods are received and it is important the receiver brings this to the deliverer’s attention as soon as possible and marks it on the delivery receipt.

**Comment #2:** As previously noted, the Claims Auditor position was outsourced to Questar III BOCES during the year until an in-house Claims Auditor can be trained.

**Cash, Investments, and Bank Reconciliations:** We reviewed the controls over the safeguarding, recording, and reconciling of the Districts, cash, and investment accounts without exception. We reviewed and reperfomed the bank reconciliation for March 2023 for all accounts.

**Observations:** The reconciliations were performed and all outstanding checks greater than 90 had been addressed by management. During our testing, we noted 43 checks totaling \$34,900.00 greater than ninety days old.

**Foodservice Operations:** We reviewed the process of safeguarding cafeteria cash (minimal), reconciling the cash registers, tracking and safeguarding food inventories, and reporting on cafeteria operations without exception.

**Observations #1:** Since food service management is outsourced, there is an increase in the risk of monitoring operations. This risk is managed with meetings between the BOCES manager and the District’s business official This is an area that would have had an elevated level of risk with the combination changes in food service managers and business officials.

**Fixed Assets:** We reviewed the processes for ordering, receiving, safeguarding, and tracking the District’s fixed assets, without exception. Additionally, we reviewed the procedures for periodically verifying inventory as well as evaluating insurance coverage of the physical assets. The District had Questar III reviewed inventory during the past year.

**Observations:** There were no material changes in personnel or the procedures for processing and tracking fixed assets. Therefore, the risk profile remains relatively consistent.

**Transportation:** Since the school outsources transportation through contracts, the risk for the District is less than most schools that maintain their own fleet of busses and on-site fuel. However, whenever the District outsources their responsibilities, it is imperative monitoring controls are put in place to ensure compliance with all regulations.

**Observation:** As previously noted, this is an area that was also affected by the changes in the business official changes.

**Comments:** The transportation position used to be a .5 position. The District should evaluate if this position should have it’s own employee or if it can remain included with the business official’s position.

**Information Technology:** We reviewed the general security control procedures for safeguarding the District’s network, providing and removing access, and the documented procedures for disaster recovery.

**Observations:** There were no material findings noted. Similar to other areas of the District, information technology also saw a change in personnel.

**Extra-classroom Activity Funds (“ECAF”):** The 22-23 school year saw an increase in activity post COVID. Although there is an inherent risk with extra-classroom because of the number of “cash” transactions and student involvement, the staff appear to have procedures in place to minimize these risks.

**Additional Considerations:**

The regulatory and financial environment that the School District operates within is constantly changing and risks should be continually monitored. The following items are listed as either a reminder or suggestion for the District to consider in mitigating and monitoring risks within this working environment. Please note these items are listed solely as a reminder and are not indicative of any deficiencies noted during our review.

1. The Board of Education (“BOE”) and/or Audit Committee should continue to monitor the corrective action plans from the Management Comment letters provided by your external auditors, and any corrective actions taken as a result of this and previous internal audit reports. As a reminder, NYSED has been requiring a person responsible for each CAP item to be identified, and an anticipated date of resolution should be included in the response.
2. NYS Comptroller Report #1 - Since the District outsources transportation, the NYS Comptroller’s office issues a State-wide audit on transportation safety and focused part of the review on monitoring outsourced functions. We encourage the District to review this report and perform a “self-audit” to determine compliance.

It was a pleasure working with the staff of the Hudson City School District and if there are any questions concerning this report, the review, or if we can be of assistance in the future please feel free to contact us.

Sincerely,  
Michael Wolff, CIA  
Michael Wolff Advisory Services

