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Assistant Superintendent for Business

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Superintendent of Schools

June 3, 2021

To: Dr. Ackerman and the Audit Committee  
From: John Chow & Cathy Lynch.  
Re: Response to the Intensive Internal Audit Review of Purchasing, Accounts Payable and Capital Projects

This is the District's response to the above-mentioned intensive reviewed conducted by our Internal Auditor, Tobin & Company. On May 20, the District's Audit Committee met with the internal auditor and reviewed this report in detail.

The Auditor made the conclusion that many valuable controls are in place. They believe that the recommendations provided in their report would further enhance internal controls in the areas of Accounts Payable, Purchasing and Capital Projects.

Management reviewed all the observations and recommendations cited in the report and accepted all the recommendations. All the recommendations have either been implemented or are in process of being implemented.

## **PURCHASING, ACCOUNTS PAYABLE**

### ***Competitive Bidding (page 4):***

Recommendation: The District should consider utilizing a bid document checklist to both organize its procurement folders and assist in ensuring that all required steps are accounted for.

District Response: This recommendation was accepted and implemented by the Purchasing Agent in May of 2021.

### ***Generating Disbursements and Approval of Claims (page 7):***

Recommendation 1: Recommend the Claims Auditor initial, signoff, or stamp each individual claim packet as additional proof of review.

District Response: This recommendation was forwarded to the Claims Auditor who agreed to annotate each payment packet "Reviewed by (signature)". This was implemented in May of 2021.

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Recommendation 2: The District should create a policy and threshold for when purchase order increases require board approval. In addition, General Municipal Law stipulates that purchases in excess of \$35,000 for public works contracts and \$20,000 for goods require competitive bidding. Should purchase order increase requests exceed these amounts, the District should justify and document its reasons for not going out to bid.

District Response: The Board of Education adopted a revised Purchasing Policy on May 5, 2021 that addressed all the issues raised by the internal auditor. The Purchasing Agent implemented these changes in May of 2021.

Recommendation 3: The District should develop a purchase order increase request form that includes detailed information such as the vendor, account code, increase amount and justification and reasoning behind the request. In addition, that form should be signed by the Principal or Administrator, and the Purchasing Agent.

District Response: These recommendations are addressed in the revised Purchasing Policy. A purchase order increase request form requiring the signature of a Principal or other Administrator has been developed by the Purchasing Agent and was implemented in May 2021.

## **CAPITAL PROJECTS**

### ***Weekly construction meetings (page 10)***

Recommendation: The District should work with its Accountant to develop monthly financial reports that can be used at these construction meetings. This will assist the District in monitoring the budget-to-actual costs at weekly meetings.

District Response: The recommendation is accepted and will be implemented by the Accountant and Treasurer in June of 2021.

### ***Vendor Payments (page 10)***

Recommendation: The District should stress that vendors should not combine multiple projects and amounts due on the same Application for Payment.

District Response: The recommendation is accepted and will be communicated to vendors by the Accountant effective June 2021 for all new projects.



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## ***Change Orders (page 11)***

Recommendation 1: SED guidelines stipulate that change orders in excess of the bidding thresholds must include on the change order certificate an explanation of why it is in the best interest of the school district and the public to award a change order instead of putting the work out to public bid. The District should begin implementing this recommendation to be in accordance with New York State guidelines.

District Response: This recommendation was accepted and was implemented by the Purchasing Agent in May of 2021.

Recommendation 2: Change order certificates should be included with AIA forms when presented to the Claims Auditor for approval. This additional control could assist the District in preventing the payment of items such as sales tax.

District Response: This recommendation was accepted and will be implemented by the Accountant in June of 2021.

