



*a community for learning*

## **Chappaqua Central School District**

**Updated Risk Assessment Report  
Covering the State mandate for the year ending June 30, 2020**

# Chappaqua Central School District

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## TOBIN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, PC

To the Board of Education of the  
Chappaqua Central School District  
Chappaqua, New York

We have performed an update to our Risk Assessment report of the Chappaqua Central School District (the District). The purpose of this engagement is to ensure compliance with applicable New York State laws and regulations under the Fiscal Accountability Initiative.

Our report updates the risk assessment scores and levels of the different processes of the District and highlights any improvement changes or weaknesses in internal controls noted since the last risk assessment report. This report also provides a recommended area where an in-depth review should be performed.

We are pleased to have had the opportunity to serve you and look forward to reviewing this report in detail with you. We would also like to thank the Board of Education and the employees of the Chappaqua Central School District for their time and assistance during our engagement.

Sincerely,

*Tobin & Company*  
*Certified Public Accountants, PC*

Purchase, New York  
August 23, 2019

# Chappaqua Central School District

## Executive Summary

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A summary of internal control improvements and areas for potential improvement noted during our review are as follows:

### Notable improvements to internal controls and procedures since the previous risk assessment:

- 1) The District recently added a new employee to assist the Athletic Department/Facilities Department with facility use billing. This has resulted in a more efficient process.
- 2) The Purchasing Agent is now spot-checking verbal quotes provided by requisitioners.
- 3) The District implemented new cyber security awareness training for safe computing practices to all employees who have access to systems and data.
- 4) The Human Resources Department expanded their use of the Frontline software, including attendance and the use of the "Recruiting and Hiring" platform. This system allows for more efficient onboarding of new employees. In addition, because many of the Human Resource applications are through Frontline, key employee information can be rolled into each program, increasing automation and reducing errors deriving from manual entry.

### Summary of *newly* noted areas for potential improvement:

- 1) As part of the \$42.5 million capital projects bond, the District recently finished construction on new turf fields. We noted concerns with unauthorized use of District grounds. The District should continue to stress the importance of following facility use procedures.
- 2) The District should perform a periodic review of system access rights for all applications to ensure that they do not include terminated or resigned employees.
- 3) Upon review of the prior three month's claims auditing reports, the Claims Auditor has noted some exceptions relating to vendor invoice pricing not agreeing to contract/bid pricing.
- 4) The Facilities and Operations Department does not have a replacement cycle for District vehicles. A replacement cycle could provide a more efficient and cost savings plan to minimize repairs and maintenance costs.
- 5) During our review, we noted the process involving the annual salary rollover and salary verification letters sent to employees can be time consuming and cumbersome. We also noted the spreadsheet used by the District to calculate new salaries was missing key information, such as an instructional employee's anniversary date. This is needed for an effective review.

# Chappaqua Central School District

## Risk Assessment Overview

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At the request of the Board of Education of the Chappaqua Central School District "the District" we have performed a Risk Assessment of several areas. Our assessment includes an analysis of business procedures and activities. The risk assessment considered qualitative, quantitative, technological, and human elements of the District's operations.

During our engagement we performed the following procedures:

- We interviewed key personnel, including central administration, mid-level management, and business office employees.
- We evaluated forms and documentation used in daily business processes.
- We evaluated internal controls, policies, and procedures.
- We evaluated technology used by the District as well as the security of the technology.
- We updated flowcharts for key operational areas.
- We reviewed the audit reports from the District's External Auditor.
- We reviewed the audit reports from the District's Claims Auditor.

During our engagement we interviewed the following key personnel:

John Chow, *Assistant Superintendent for Business*

Blanche Blair, *Assistant Business Manager/District Treasurer*

Michael Trnik, *Purchasing Agent*

Joseph Gramando, *Director of Facilities*

Josh Culwell-Block, *Director of Instructional Technology*

Jackie Petricha Silipigni, *Benefits Assistant*

Tony Sinanis, *Assistant Superintendent for Human Resources*

Alex Djordjevic, *Accountant*

Suzann Schriro, *Payroll Bookkeeper*

Christine Brundage, *Accounts Payable Clerk*

Chris Weir, *Claims Auditor*

Paola Conklin, *Human Resource Assistant*

Marissa Greenfeld, *Payroll Clerk*

Deirdre McManus, *Food Services Manager*

Seth Corwin, *Transportation Owner*

Eric Kaeyer, *Principal and Vice President of KG&D (District's Architect)*



# Chappaqua Central School District

## Explanation of Risk Ratings

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The risk assessment quantifies scores in various areas of the operations of the District. The scores determine if a particular area is graded low, medium, or high risk. The following illustrates the range of possible scores:

Low Risk	21 - 49
Medium Risk	50 - 77
High Risk	78 - 105

Risk levels were assigned to each area based on six key variables.

- 1) *Dollar Volume* - The higher the dollar volume, the higher the value assigned.
- 2) *Adequacy of Personnel* - Values assigned depend on personnel having proper qualifications, and that there is enough staff to perform proper internal controls.
- 3) *Complexity of Activity* - Different reviewed areas are more complicated and allow more opportunities for fraud or misappropriations.
- 4) *Management Interest* - If management places a priority, or expresses interest in a particular area, it is awarded a higher risk value to ensure that attention is paid to that area.
- 5) *Adequacy of Procedures* - If there are proper procedures that are understood and followed, risk levels are significantly reduced.
- 6) *Adequacy of Internal Controls* - Lack of controls could mean that procedures are not followed correctly, increasing risk levels.

In order to calculate the Risk Score for each reviewed area, we have to determine the risk level for each variable. The following is an illustration of the calculation which assigns risk scores to each variable:

A = Rank - Each variable is ranked in order of its importance from 1-6 (6 being most important).

B = Descriptive Value - Each variable is scored with a value from 1-5 (5 being highest risk) depending on our findings for that particular area.

A x B = Weighted Value - Calculated by multiplying each variable's rank by its descriptive value.

When we have computed a score for each variable, they are totaled giving us the Total Risk Score for the reviewed area being evaluated.

*\*It should be noted that not all of these variables can be controlled by the District. For instance, the dollar volume for receipts, payables, and payroll will always be high. Therefore, even with perfect controls these areas would not be considered low risk. This should be taken into consideration when reading the results of our scoring.*

# Chappaqua Central School District

## Risk Ratings - Results

In the illustration below we list each operational area, its previous assigned risk score, and the updated risk score and level.

Area of Review	Intensive Review History	Current Risk Score		Previous Risk Score
		Score	Level	
Benefits	6/30/2016 & 2019	78	High	78
Payroll*	6/30/2012	70	Medium	69
Human Resources	6/30/2015	69	Medium	70
Facilities and Operations	6/30/2014	67	Medium	66
Capital Projects	6/30/2017, 2018, 2019	67	Medium	66
Purchasing and Payables	6/30/2011	65	Medium	64
Transportation		65	Medium	65
Revenue and Receipts	6/30/2018	64	Medium	64
Online Banking and Transfers		64	Medium	64
Information Technology	6/30/2013	55	Medium	56
Student Services		53	Medium	53
Food Service		51	Medium	51
Grants		50	Medium	50
Fixed Assets		49	Low	49

\*Recommended for next review

### Recommendation for Next Review Area: Payroll

Based on our Risk Assessment and recommendation from the Board, the next area selected for an Intensive Review is Payroll. Our review would consist of, but not limited to:

- Detailed interviews of District personnel and documentation of these interviews through industry accepted checklists.
- General payroll attribute testing.
- Review the processes involved with the annual salary rollover.
- Best practice comparison to similar sized districts.
- Testing of timesheets and comparison to payroll.
- Review of payroll cutoff for a sample of employees who recently left the District.

# Chappaqua Central School District

## Summary of Reviewed Areas

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### **Benefits - Risk Score: 78**

The largest potential risks in this area for any District are providing health benefits for individuals who are no longer eligible, and failure to properly bill the individuals who are required to contribute to their benefits.

#### *Previously reported observations and recommendations:*

- 1) Observation (unresolved): Billing for benefits is currently being done through Excel.  
Recommendation: As a best practice, this can be automated using the District's accounting software. NVision also gives the District a more effective means of tracking outstanding amounts owed to the District as well.

#### *Current Assessment*

*For additional information regarding Benefits, please see our intensive review report for the year ended June 30, 2019.*

As part of our Risk Assessment, we followed up with District staff on progress made since our report. Management is aware of the importance of internal controls and has developed ways to improve the process over benefits. However, the Risk Level remains at *High*.

### **Payroll - Risk Score: 70**

Payroll is an area in which the high dollar volume in relation to the District budget (payroll represents approximately 50% of the budget) inherently makes it a "higher risk" area. Payroll is also an area that is generally susceptible to fraud. These two factors make it difficult for the risk level in this area to ever be rated low, regardless of the controls in place.

#### *New observations and recommendations*

- 1) Observation: During our review, we noted the process involving the annual salary rollover and salary verification letters sent to employees can be time consuming and cumbersome. In addition, because the management of bargaining units is split between the Business Office (Clerical and CSEA) and Human Resources (Instructional and Administrators), we noted inconsistent review procedures over the accuracy of the rollover. We also noted the spreadsheet used by the District to calculate new salaries was missing key information such as an instructional employee's anniversary date.  
Recommendation: We recommend the District develop consistent review procedures over the annual salary rollover for all bargaining units. In addition, we recommend that the District updates their spreadsheet to capture all contractual information to assist in accurately projecting salaries. This is needed for an effective review.



## Summary of Reviewed Areas

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### **Payroll** (continued)

#### **Current Assessment**

Due to this area's nature, complexity, and monetary size, it is difficult for the risk level ever to fall below medium. We believe our findings warranted a slight increase in the Risk Score. The last review of this area was performed in 2012. Due to this and our findings, we recommend this area to be selected next for an Intensive Review. The level of this area remains at a *Medium Risk*.

### **Human Resources - Risk Score: 69**

This area is highly significant not only due to its relationship with Payroll, but also due to the complexity and sensitivity in maintaining relations with employees' representative unions, related contractual obligations and compliance requirements. As a result, this area can never be given a score lower than *Medium*.

#### **Significant internal control changes made since the previous risk assessment report:**

- 1) The Human Resources Department expanded their use of the Frontline software, including the use of attendance and the "Recruiting and Hiring" platform. This automated system allows for more efficient onboarding of new employees. In addition, because many of the Human Resource applications are through Frontline, key employee information can be rolled into each program, increasing automation and reducing errors deriving from manual entry.

#### **Previously reported observations and recommendations:**

- 1) **Observation (unresolved):** The District does not utilize My Learning Plan software to its full capabilities.  
**Recommendations:** The District uses My Learning Plan to register for in-service credits as well as BOCES courses. A large part of My Learning Plan is its ability to track all credits and submit courses for approval. The District is considering taking advantage of this capability to replace the current manual tracking system.

#### **Current Assessment**

During our review, we noted that management is continually looking for ways to improve processes. We felt the controls implemented warranted a decrease to the Risk Score. However, due to the inherent risks involved, the Risk Level remains at *Medium*.

### **Facilities and Operations - Risk Score: 67**

Facilities and Operations are an important part of keeping the District up and running. The District employs skilled maintenance and custodial workers for the repair and maintenance of the District's facilities. The Director of Facilities oversees the District's buildings, grounds, and facilities maintenance. The Director supervises a staff of approximately 54 employees.

#### **Significant internal control changes made since the previous risk assessment report:**

- 1) The District recently added a new employee to assist the Athletics Department and Facilities Department with facility use billing. This has resulted in a more efficient process.

# Chappaqua Central School District

## Summary of Reviewed Areas

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### **Facilities and Operations** (continued)

#### New and previously reported observations and recommendations:

- 1) Observation: The Facilities and Operations Department does not have a replacement cycle plan for District vehicles.  
Recommendation: In order to avoid excessive repairs and maintenance costs, we recommend the District create a replacement cycle plan for Facilities and Operation's vehicles. This would allow for cost-efficient planning.
- 2) Observation: As part of the \$42.5 million capital project bond, the District recently finished construction on new turf fields. We noted concerns with unauthorized use of District grounds.  
Recommendation: We recommend that the District continue to stress the importance of following District policy regarding facility use protocol.
- 3) Observation (unresolved): The District recently updated their gas system for Facilities and Transportation. However, the system is not being used to run specialized reports tracking fuel usage.  
Recommendation: The new system has the capability of running specialized reports showing fuel usage. This would be beneficial for the District as it would help track how often fuel is used and how efficient District employees are with their usage. In addition, reviewing these reports could also indicate where potential problems may be.

#### Current Assessment

We felt the above findings warranted a slight increase in the Risk Score. However, the level remains at a *Medium Risk*.

### **Capital Projects- Risk Score: 67**

This is an area where the amount of funds expended can be significant. As with accounts payable and payroll, this attribute automatically increases the level of risk. Large capital projects are funded through bonds. During June 2016 voters approved a \$42.5 million bond to finance projects through the 2020 year. The greatest risk in this area would be invoices being paid without proper review and approval. However, the District has procedures in place to minimize their exposure. Currently, the District is still in the process of various infrastructure improvements and renovations.

#### Current Assessment

We recently completed an updated review of the District's Capital Projects. Please see our reports for the years ended June 30, 2017, 2018, and 2019 for additional findings, observations, and recommendations. The District continues to implement our recommendations where feasible. However, it is important to continually monitor and track progress, billings, budgets, and compliance relating to all projects.

Work associated with the Capital Bond are in the final stages of completion. As a result, we recommend that this area be selected for a future updated intensive review. The Risk Level remains at a *Medium Risk*.

# Chappaqua Central School District

## Summary of Reviewed Areas

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### **Purchasing and Payables - Risk Score: 65**

Purchasing and Payables is another significant operational area of the District. The District follows New York State purchasing regulations and has an independent Certified Public Accountant serving as its internal claim's auditor. We reviewed the procedures and documentation for purchases of equipment, supplies, employee reimbursements, and contract purchases. We found good overall internal controls and segregation of duties. As with human resources and payroll, this area's rating is affected by its significant dollar value and its susceptibility to fraud. As a result, it is unlikely the area of Purchasing and Payables will ever rate low risk.

#### Significant internal control changes made since the previous risk assessment report:

- 1) The Purchasing Agent now spot checks verbal quotes provided by requisitioners.

#### New observations and recommendations:

- 1) Observation: Upon review of the prior three month's claims reports, the Claims Auditor has noted some exceptions relating to vendor invoice pricing not agreeing to contract/bid pricing.  
Recommendation: The District should continue to review vendor invoices to ensure that they are in accordance to agreed upon contract and bid pricing.

#### Current Assessment

Due to the findings above, the score is raised slightly, but we continue to assess this area at the *Medium Risk* level.

### **Transportation - Risk Score: 65**

The District has a contract with a third-party vendor to provide transportation for District students. This contract relieves the District from handling the scheduling of bus routes, timing, and hiring of drivers. As part of the agreement, the District is responsible for purchasing the fuel during the months of September through April. After this period, the fuel is purchased by the transportation company. From our understanding, the transportation company uses the same bus fleet to transport students of neighboring districts. The District continuously monitors its fuel costs and periodically compares total transportation costs to that of neighboring districts. Management feels its transportation costs are more favorable to other districts.

#### Current Assessment

We noted no significant changes in processes and controls used for Transportation. As a result, the risk rating remains at *Medium*.



### **Revenue and Receipts - Risk Score: 64**

Revenue is an area that includes the receipt of funds, the movement of these funds within the District, and the maintaining of miscellaneous receivables. The funds the District receives are composed of taxes remitted by the towns of Mt. Pleasant and New Castle. The District also receives funds from state aid, STAR, facility usage, sales tax, and student activities. When reviewing the District's procedures in this area, we reviewed different methods in which money is received, how it is recorded, and the revenue sources. Our review revealed the existence of good overall internal controls, with proper reviews and sign offs.

#### **Current Assessment**

As noted in the Facilities and Operations section, the District recently added an employee to assist the District in tracking and billing for third party facility usage. In our Intensive Review report dated April 23, 2018, we focused on the revenue and receipt cycle by the District. In the report, we made several recommendations relating to the timing and processes involved with facility use billing. We believe that the inclusion of this new employee will assist the District in providing for a more efficient process. The Risk Level remains at *Medium*.

### **Online Banking and Transfers - Risk Score: 64**

Online banking provides access to the District's accounts. Authorized users can review account balances, view recent transactions, and transfer funds between District accounts as well as external accounts. Wire transfers typically involve significant amounts of money, and as such, controls must be in place to prevent unauthorized transfers from occurring.

#### **Significant internal controls in place:**

- 1) The District maintains proper segregation of duties within District personnel for online banking by requiring two independent employees initiate and approve transactions.
- 2) The District has ACH block on all accounts. The only entities authorized to withdraw money are the Federal and New York State Governments for payroll tax payments.

#### **Current Assessment**

Online banking has recently become an area of focus for the Office of the New York State Comptroller's school district audits. Because of this, we recommend this area for a future Intensive Review. This area is given a Risk Level of *Medium*.

### **Information Technology - Risk Score: 55**

Information Technology in education environments has basic inherent risks due to the concentration of critical information being in an electronic format and the need to provide for the proper security over this information. We believe that the District's network is well developed, and all of its data is secure. Technology must be monitored closely and vigilantly at all times, for the safety of information, as well as the students using computers within the District.

#### **Significant internal control changes made since the previous risk assessment report:**

- 1) The District implemented new cyber security awareness training for safe computing practices to all employees who have access to systems and data.



### **Information Technology (continued)**

#### **New observations and recommendations:**

- 1) **Observation:** The District does not currently perform a periodic review of system access rights for all applications to ensure that they do not include terminated or resigned employees.

**Recommendation:** We recommend the District perform an exercise to purge old users and continue the procedures in subsequent years.

#### **Current Assessment**

The District continues to be proactive in upgrading their information technology infrastructure where needed. We believe that the District's technology is on par with neighboring Districts. Due to its nature, it is nearly impossible for the risk level of this area to ever be at a low level. The Risk Level remains at *Medium*.

### **Student Services - Risk Score: 53**

Extra Classroom Activities is an area where student funds are handled by many individuals before being deposited into the club's bank account. Although the dollar amount is low, this is an area where the risk of theft is greatest. It should be noted that our review did not find any instances of theft or fraud.

#### **Previously reported observations and recommendations:**

- 1) **Observation (unresolved):** Student Services (Extraclassroom Activities) is accounted for centrally at the District's Business Office. We noted that the District Treasurer maintains effective controls of the area. However, all processes are performed by the Treasurer, including receiving and recording cash receipts, check disbursements, and bank reconciliations. This is a segregation of duties issue. The former part time Accounts Payable Clerk used to handle many of the duties involved, including check disbursement processes. However, since she left, these accounting procedures have all been given to the District Treasurer.

**Recommendation:** As part of best practice, the District should segregate duties involved with Extraclassroom Activities. We noted that the District is in the process of searching for a replacement for the former part time Accounts Payable Clerk.

#### **Current Assessment**

Although dollar amounts are generally small, the frequent handling of cash makes this area susceptible to fraud. The Risk Level remains at *Medium*.

# Chappaqua Central School District

## Summary of Reviewed Areas

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### **Food Service - Risk Score: 51**

Food Service is run by an independent third-party company (Aramark). This alleviates the need for the District to manage this area of operations. The District has an employee responsible for tracking and reporting free and reduced lunch for students. Aramark handles the food program and provides sufficient documentation of activity for the District to feel comfortable that they are reporting revenues correctly.

#### **Current Assessment**

The District is currently in the middle of their 5-year contract with Aramark. We noted no significant changes to processes and procedures over Food Services and as such, the Risk Level remains unchanged at *Medium*.

### **Government Aid / Grants - Risk Score: 50**

School districts are entitled to a variety of program aid from the state and federal government. Government aid and grants can account for a significant source of funding for public education. Most state and federal program aid require certain applications and claim forms to be submitted at a determined schedule. This area has a medium risk rating.

#### **Current Assessment**

This area continues to be rated as *Medium Risk* due to existing controls over government and grant expenditures.

### **Fixed Assets - Risk Score: 49**

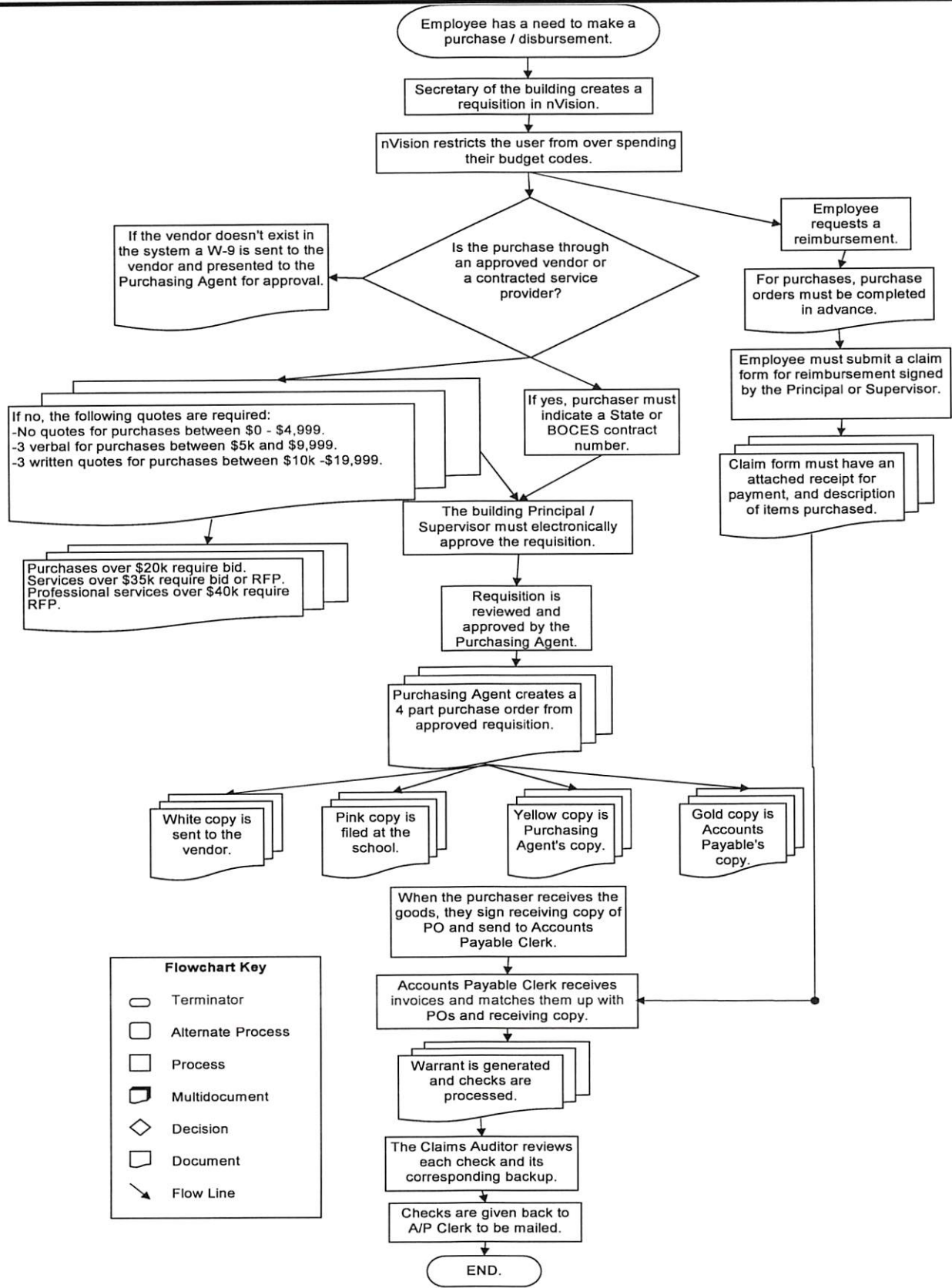
This area includes security of equipment, other District assets and inventory controls. The Director of Facilities and Operations oversees the District's fixed assets. The Director helps ensure that facilities are safe, and regulations promote the educational mission of the District as well as monitors the construction and capital improvement projects. This area has been rated a moderate risk with the highest area of risk being the strategic planning impact.

#### **Current Assessment**

The District continues to maintain good controls over fixed assets. In the Facilities section, we noted that the District should develop a replacement cycle plan for District vehicles. We believe the implementation of this recommendation would further strengthen processes and controls over fixed assets. This area continues to be rated as *Low Risk* due to existing controls over Fixed Assets.

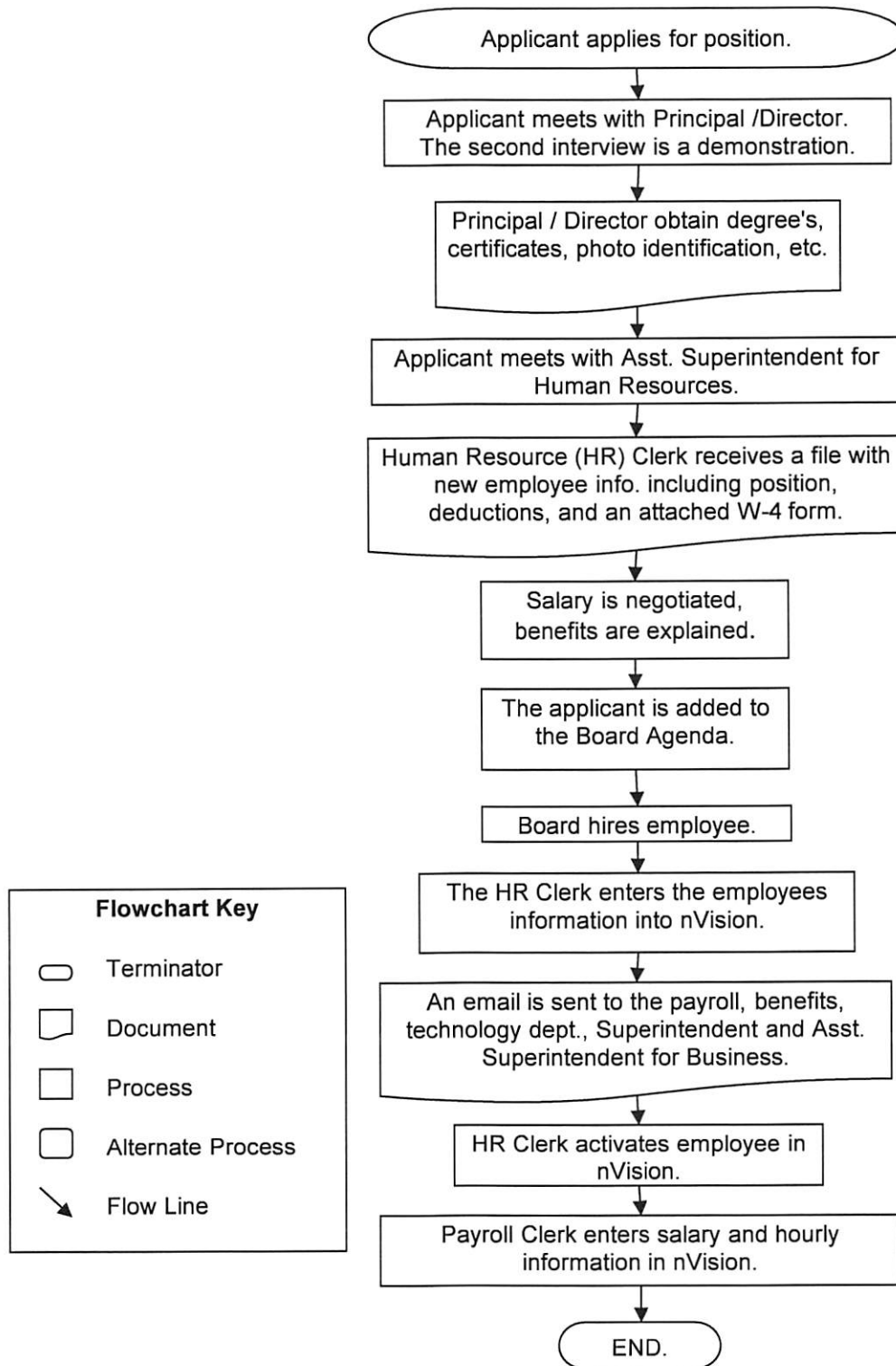
Chappaqua Central School District

Flow Chart – Purchasing and Accounts Payable



# Chappaqua Central School District

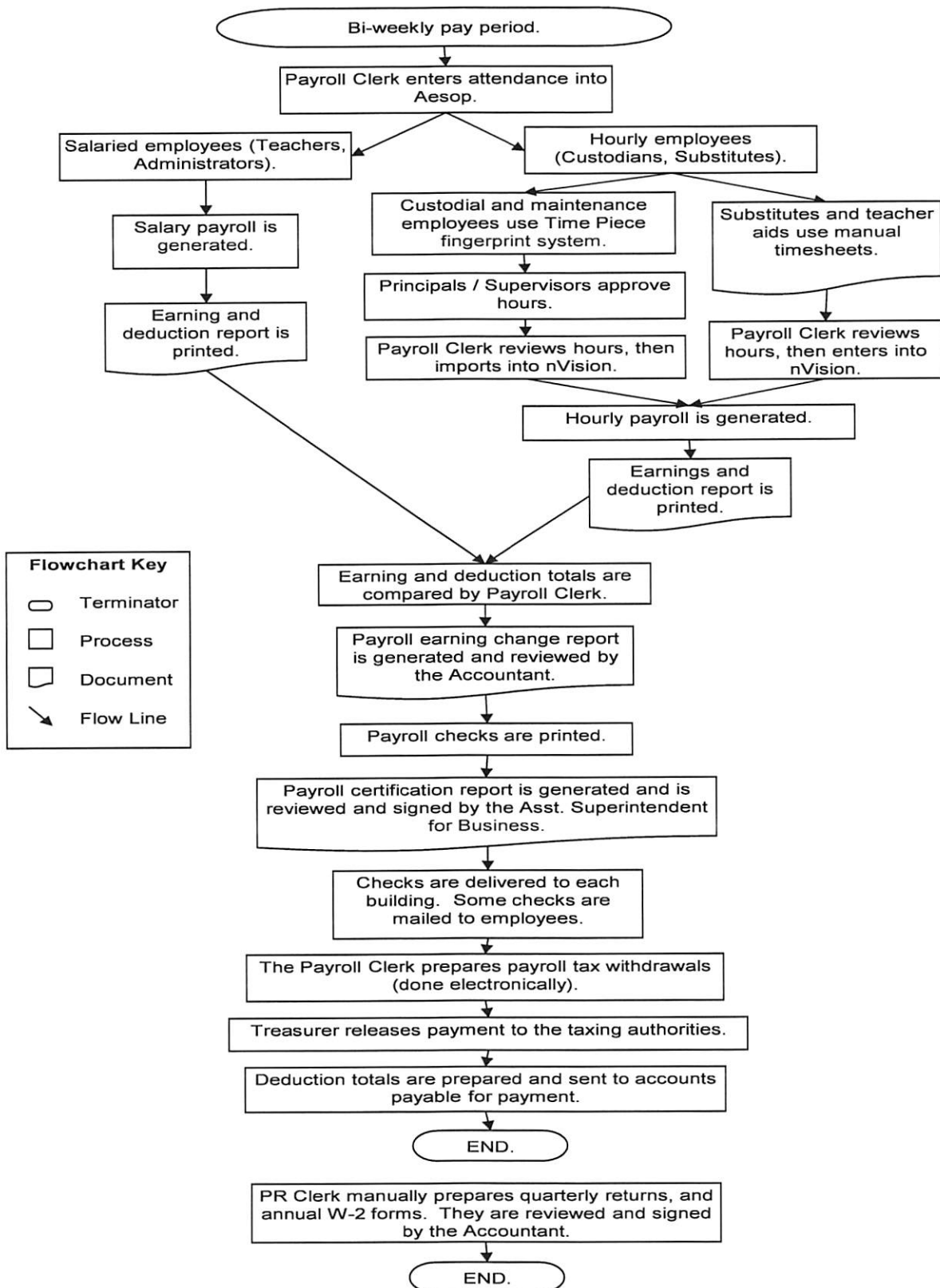
## Flow Chart – Human Resources





# Chappaqua Central School District

## Flow Chart – Payroll



# Chappaqua Central School District

## Flow Chart – Capital Projects

