

a community for learning

Chappaqua Central School District

**Updated Risk Assessment Report
Covering the State mandate for the year ending June 30, 2018**

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, dated August 31, 2016 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 for the fiscal year ending June 30, 2018.

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 31, 2017

Executive Summary

The District has continued to maintain good overall procedures and strong internal controls over its operational activities. Since our last review, the District has had various changes in personnel. The District hired a new Superintendent, Payroll Clerk, Human Resource Clerk, Benefits Administrator and Technology Director. Below is a summary of our observations.

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

- 1) Former Payroll Clerk has documented most of the operational procedures to produce bi-weekly checks.
- 2) The Benefits Assistant cross trains the new Payroll Clerk.
- 3) The Staff Accountant prepares the roll-over of instructional and non-instructional staff with review from both Human Resource departments.
- 4) The District incorporated My Learning Plan to manage all professional development and courses.
- 5) The District tracks staff longevity through nVision.
- 6) The District increased its usage of School Dude.

Summary of *newly* noted areas for potential improvement:

- 1) Human Resources and Payroll personnel should communicate on a regular basis to be aware of constant changes of new hires, terminations, and absences.
- 2) The Accounts Payable Clerks should be more diligent in the review of claims prior to processing checks.

Summary of *previously* noted areas for potential improvement

- 1) The District does not utilize the positive pay feature but is in the process of implementing this feature with its financial institution.

Chappaqua Central School District

Risk Assessment Overview

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 top administration, mid-level management, and business office employees.
- We evaluated forms and documentation used in the 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 prepared flowcharts for key operational areas.
- We reviewed the audit reports from The District's External Auditors.
- We sample tested vendor claims packets, general journal entries, bank reconciliations, and payroll postings.

During our engagement we interviewed the following key personnel:

Christine Ackerman, *Superintendent of Schools*

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 Silipigni, *Benefits Assistant/ Former Payroll Clerk*

Kusum Sinha, *Assistant Superintendent of Human Resources*

Alex Djordjevic, *Accountant*

Suzann Schriro, *Payroll Bookkeeper*

Christine Brundage, *Accounts Payable Clerk*

Pam Tole, *Free/Reduced lunch*

Claudine Howson, *Accounts Payable Clerk for Special Education*

Chris Weir, *Claims Auditor*

Paola Conklin, *Human Resource Assistant*

Marissa Greenfeld, *Payroll Clerk (Part-Time)*

Francesca Zacaroli, *Human Resource Clerk*

Explanation of Risk Ratings

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	Previous Risk Score	<i>Current Risk Score</i>	
		Score	Level
Human Resources	68	69	Medium
Payroll	68	69	Medium
Revenue, Receipts and Transfers	65	65	Medium
Facilities and Operations	65	65	Medium
Capital Projects	65	65	Medium
Transportation	65	65	Medium
Purchasing and Payables	61	63	Medium
Benefits	58	58	Medium
Information Technology	56	56	Medium
Food Service	51	51	Medium
Student Services	51	51	Medium
Grants	-	50	Medium
Fixed Assets	47	49	Low

Below is the history of previously completed intensive reviews as well as our recommendation for the next area to be reviewed:

Area of Review	Intensive Review History	Next Area
Capital Projects	Completed- 6/30/2017	
Benefits	Completed- 6/30/2016	
Human Resources	Completed- 6/30/2015	
Facilities and Operations	Completed- 6/30/2014	
Information Technology	Completed- 6/30/2013	
Payroll	Completed- 6/30/2012	
Vending Machine Services	Completed- 6/30/2012	
Purchasing and Payables	Completed- 6/30/2011	
Food Service	Completed- 6/30/2010	
Student Service	Completed- 6/30/2009	
Revenue and Receipts & Capital Projects Update		<i>Recommended</i>
Fixed Assets		
Grants		

Summary of Reviewed Areas

Human Resources - Risk Score: 69

Human Resources is an area where due to its complexity, and relation to payroll, make it a medium risk area. These two factors make it difficult for the risk level in this area to ever be rated low, regardless of the controls in place.

Significant internal control changes made since the last risk assessment report:

- 1) The Staff Accountant prepares the roll-over of both instructional and non-instructional staff with review from both Human Resource departments - instructional (Human Resource Assistant) and non-instructional (Secretary to Assistant Superintendent for Business).
- 2) The District implemented My Learning Plan to manage all professional development and courses.
- 3) The District tracks staff longevity through nVision.

New and previously reported observations and recommendations:

- 1) Observation: Due to the turnover in the Human Resource Department, there was a lapse in communication with payroll which caused an employee to be incorrectly paid on maternity leave. The employee repaid the District.
Recommendation: This process has already been updated. Based on board agenda, Human Resources makes employee changes in nVision and notifies payroll using a share drive.

Current Assessment

Since our last risk assessment, there have been various turnovers within the Human Resources Department. The previous Human Resource Assistant transferred to another position in the District and another part time clerk was hired. Although there have been various changes in this department, this area remains rated at a Medium risk

Payroll - Risk Score: 69

Payroll is an area in which the high dollar volume in relation to the District 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.

Significant internal control changes made since the last risk assessment report:

- 1) The District uses Aesop to capture attendance for substitutes and teachers. As of 09/01/17, Aesop is now used for all employees except Custodians. The information is inputted through Aesop and then uploaded to nVision. This saves the District time and increases accuracy.
- 2) Former Payroll Clerk has documented most of the operational procedures to produce bi-weekly checks.
- 3) Payroll, Human Resources and the Accountant work together on annual salary rollovers. The calculations are no longer manual. The Accountant calculates the new salaries, the Human Resource Assistant double checks the reports and makes changes if needed. The Payroll Bookkeeper reviews any changes.

Payroll - Risk Score: 69 (continued)

New and previously reported observations and recommendations:

- 1) Observation: The Payroll Clerk is responsible for entering and maintaining attendance in nVision. She is also responsible for rolling over the attendance at the beginning of the school year. There is no independent review of the attendance data entry by someone other than the Payroll Department.

Recommendation: The District designated the Staff Accountant to independently review the employee accrued time off rollover schedule at the beginning of the school year. This helped ensure the accrued time off is rolled over from one year to the next accurately. The District may also consider having an independent person perform spot checks of the employee attendance schedules on a periodic basis.

Current Assessment

The Payroll Bookkeeper and Payroll Clerk are knowledgeable about the various payroll contracts and are diligent in the payroll process. Over the last year the District has had a number of changes within this department. Payroll Clerk has been reassigned to benefits and a new part time clerk was hired.

Due to this area's nature, complexity, and monetary size, it is difficult for the risk level ever to fall below medium. The level of this area remains as *Medium Risk*.

Revenue, Receipts and Transfers - Risk Score: 65

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 town of Mt. Pleasant and New Castle. The District also receives funds from state and building aid, STAR, facility usage, 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, the revenue sources, and how money is transferred. Our review revealed the existence of good overall internal controls, with proper reviews and sign offs.

Significant internal control changes made since the last risk assessment report:

None.

New and previously reported observations and recommendations:

None.

Current Assessment

Overall, the District has good internal controls over the receipt of funds. The risks of cash misappropriation are low, due to the minimal amount of cash received. The procedures for revenue receipt, bank reconciliations, transfers, and budgeting and reporting are all segregated. This area's risk score is primarily affected by its monetary size and nature and therefore, difficult for the risk level to ever reach a low rating. The Risk Level remains at *Medium*.

Summary of Reviewed Areas

Facilities and Operations - Risk Score: 65

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. Although the dollar volume in this area is significant, it typically rates lower than receipts and purchases because the volume of monetary transactions are minimal.

Significant internal control changes made since the last risk assessment report:

- 1) The District has increased its usage of School Dude to track work orders. The Director and head custodian review work orders every Monday.

New and previously reported observations and recommendations:

None.

Current Assessment

Since the intensive review of this area (June 2014), the District implemented processes to increase its internal controls over certain areas of this operation. During our current overview, we have not noted any significant deficiencies or negative changes since our last risk assessment. The Risk level remains at *Medium Risk*.

Capital Projects- Risk Score: 65

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 throughout 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.

Significant internal control changes made since the last risk assessment report:

None.

New and previously reported observations and recommendations:

None.

Current Assessment

Since the intensive review of this area (June 2017), the District has implemented processes to increase its internal controls over certain areas of this operation. We have not noted any significant deficiencies since our intensive review. The Risk level remains at *Medium Risk*.

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 comparable to other districts.

Significant internal control changes made since the last risk assessment report:

None.

New and previously reported observations and recommendations:

None.

Current Assessment

The Business Office and Chappaqua Transportation continue to analyze bus routes for efficiencies. The long standing contract with the vendor is renewed each year providing the price increase is at or below CPI. Management believes its transportation costs are reasonable when compared to neighboring school districts. The risk rating remains at Medium Risk.

Purchasing and Payables - Risk Score: 63

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 claims 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 last risk assessment report:

- 1) The District is currently in the process of implementing the positive pay feature with its financial institution.

New and previously reported observations and recommendations:

- 1) Observation: Upon review of claims packets and claims auditor reports, we noted that there were a few minor exceptions within the claim process.
Recommendation: Although the Claims Auditor inquires and obtains clarification on these exceptions, the Accounts Payable Clerks should be more diligent in the review of claims prior to processing checks.

Summary of Reviewed Areas

Purchasing and Payables - Risk Score: 63 (continued)

Current Assessment

The current procedures are well-established, commonly found in other school districts and are criteria of an internal control environment. We have continued to score this area at *Medium Risk*.

Benefits - Risk Score: 58

Upon our review of Benefits, we became aware that the previous Benefits Assistant retired. The new Benefits Assistant was replaced with previous Payroll Clerk. We believe this is a good change because the Payroll Clerk understands how both departments function together.

Significant internal control changes made since the last risk assessment report:

- 1) The Benefits Assistant cross trains the new Payroll Clerk.

New and previously reported observations and recommendations:

None.

Current Assessment

Since our last intensive review of this area (June 2016), we found that changes in personnel within this department are beneficial for the District because of previous experience. Although there were no material changes to the procedures or processes relating to benefits, we believe that the risk remained the same.

Information Technology - Risk Score: 56

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 last risk assessment report:

None.

New and previously reported observations and recommendations:

None.

Summary of Reviewed Areas

Information Technology - Risk Score: 56 (continued)

Current Assessment

During the past school year, the Districts previous Technology Director resigned and a new Technology Director was hired. We believe this is a good change and allows for new supervision, controls, and ideas for the Technology Department.

Every year the District evolves with new technology as needed. During June 2016, a \$42.5 million bond was approved that includes improvements to Information Technology. The new steam center with active learning spaces at the high school will require more technology through its completion in 2020.

The procedures in place to protect the District laptops from unauthorized use, theft and damage have remained the same from our last risk assessment. To date, the initiative has worked well with no Chrome Books lost, and only a small percentage experiencing damage (covered under warranty).

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*.

Food Service - Risk Score: 51

Food Service is run by an independent 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 majority of the food program, and provides enough documentation of activity for the District to feel comfortable that they are reporting revenues correctly.

Significant internal control changes made since the last risk assessment report:

None.

New and previously reported observations and recommendations:

None.

Current Assessment

Aramark has its own set of internal controls and procedures, and continues to modify them as needed. The District also implements its own set of procedures to ensure proper accounting of the school lunch program. While we did not note any significant weaknesses, this is an area most susceptible to misappropriations due to its nature. The Risk Level remains unchanged at *Medium Level*.

Summary of Reviewed Areas

Student Services - Risk Score: 51

Extra Classroom Activities is an area where student funds are handled by many individuals before being deposited into the clubs 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.

Significant internal control changes made since the last risk assessment report:

-None.

New and previously reported observations and recommendations:

-None.

Current Assessment

The District had an intensive review done on this area in 2009. Since that review, certain employees and positions were eliminated or changed and it changed the processes noted at that time. We did not note material weakness as a result of these changes; however it may be beneficial to the District to perform a follow up review of this area in the future. The Risk Level remains 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 and factors rated high were reputation risk, susceptibility to misappropriation, fraud or loss and compliance with laws and regulations.

Significant internal control changes made since the last risk assessment report:

None.

New and previously reported observations and recommendations:

None.

Current Assessment

The risk level remains unchanged at *Medium Level*

Summary of Reviewed Areas

Fixed Assets - Risk Score: 49

This area includes security of equipment, other District assets and inventory controls. The Director of Facilities and Operations is in charge of 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.

Significant internal control changes made since the last risk assessment report:

None.

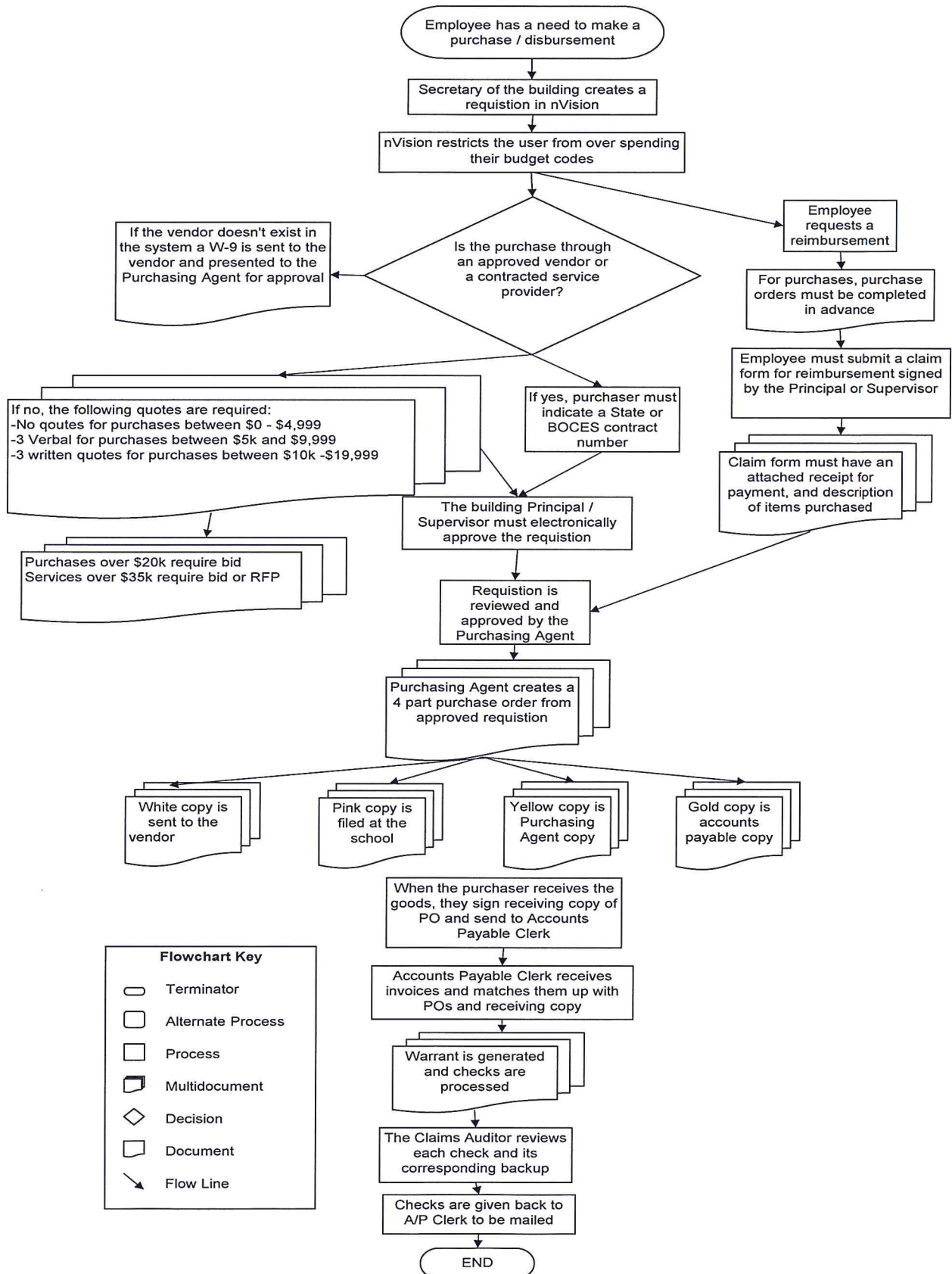
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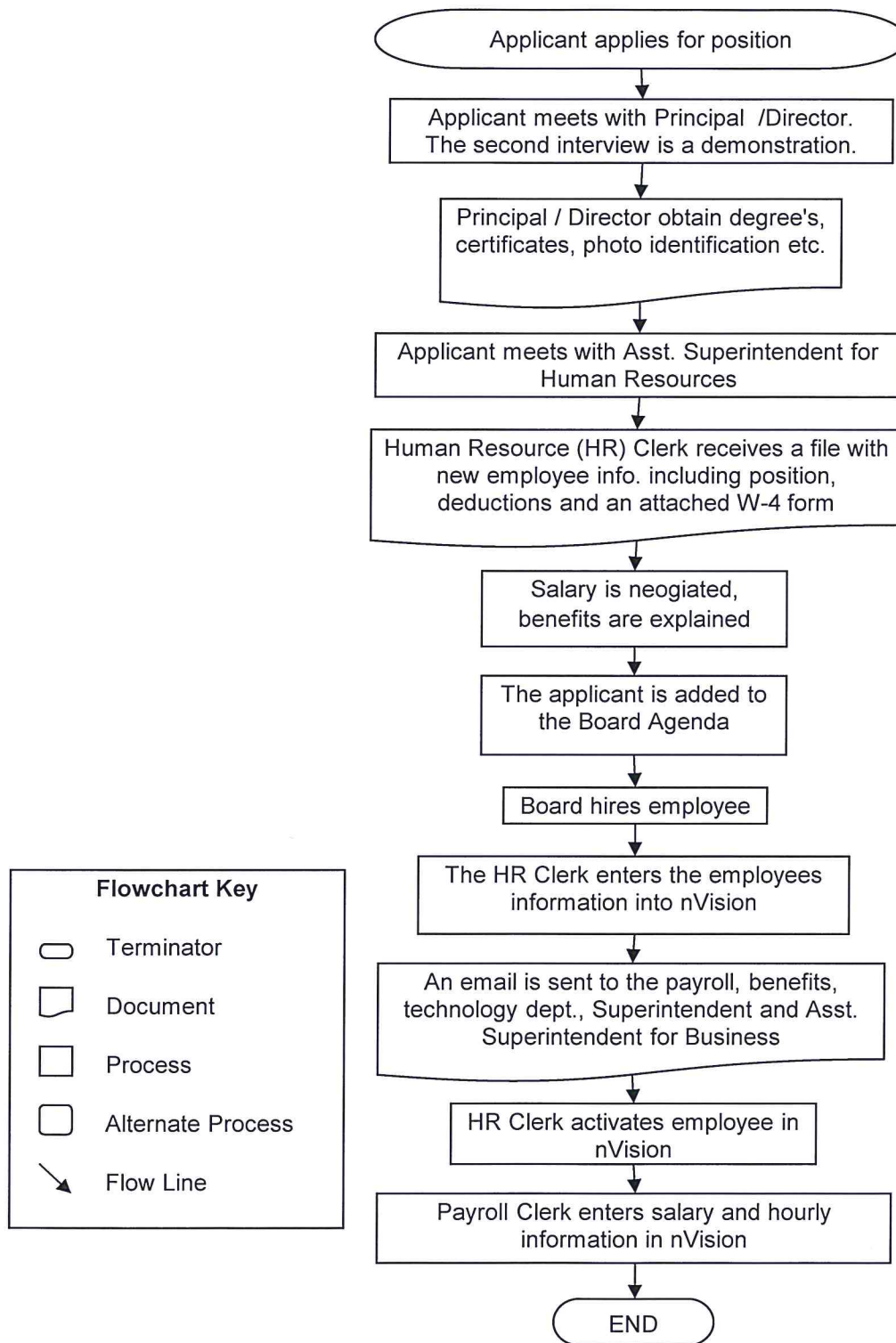
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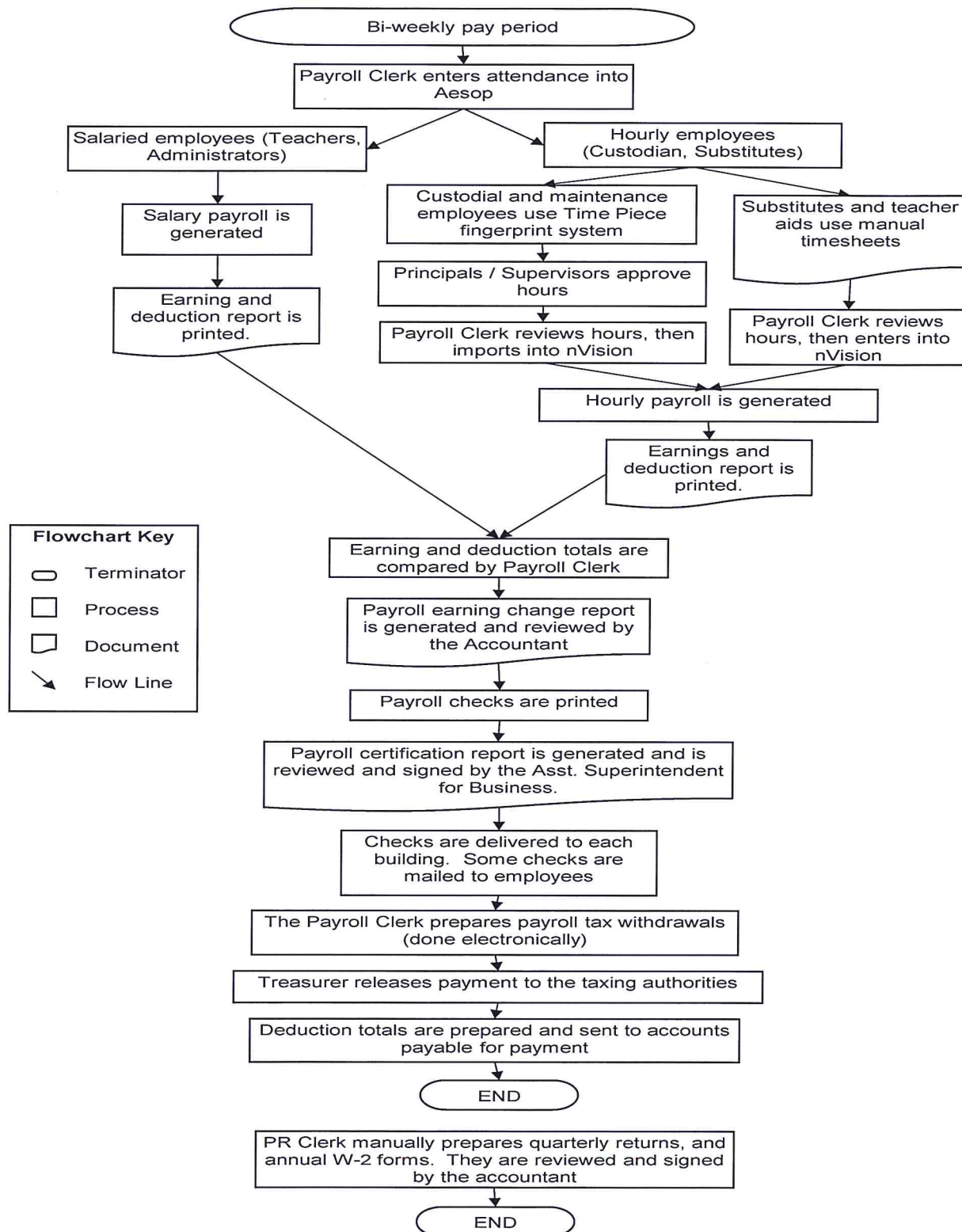
Current Assessment

The risk level remains unchanged at *Low Level*. We noted improvements to the existing systems as well as some pending improvements that can further decrease the risk in this area once fully implemented.

Flow Chart – Purchasing and Payable







Flow Chart – Capital Projects

