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## **Chappaqua Central School District**

**Intensive Review of Revenues and Capital Projects  
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 intensive review of the Receipts Cycle and updated our review of Capital Projects, as agreed to by the Chappaqua Central School District (the District) for the year ended June 30, 2018. The purpose of this engagement is to ensure compliance with applicable New York State laws and regulations under the Fiscal Accountability Initiative.

Our report provides results of attribute testing performed on the selected area. In addition, our report indicates any areas for which we believe improvements can be made to existing processes and internal controls.

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*

Tobin & Company  
Certified Public Accountants, PC  
April 23, 2018

At the request of the Audit Committee of the Board of Education of the Chappaqua Central School District (the District), we performed a Risk Assessment of various business procedures and activities. Using our Risk Assessment report, the Audit Committee engaged our firm to perform an intensive review of the Revenue and Receipts area and an update to our previous review of Capital Projects.

The following excerpt is from our Risk Assessment Report regarding Revenues and Receipts and Capital Projects:

**Revenues, Receipts, and Transfers- Risk Score: 65**

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, 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*.

**Capital Projects- Risk Score: 65**

Since our intensive review of this area, 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*.

**Interviews of key personnel included the following:**

Assistant Superintendent of Business, *John Chow*

Assistant Business Manager/District Treasurer, *Blanche Blair*

Accountant, *Alex Djordjevic*

Director of Facilities, *Joseph Gramando*

Purchasing Agent, *Mike Trnik*

**Our intensive review of Revenues (not including Grants) consisted of the following:**

- 1) Detailed interviews with key employees relating to the processes for:
  - a. Property Tax Revenue & Receipts
  - b. State Aid Revenue
  - c. Facilities and Food Service Revenue
  - d. Continuing Education and Other
- 2) Testing of processes and information relating to certain revenue sources (Grants were excluded).

**Our intensive update of Capital Projects consisted of the following:**

- 1) We performed an update to our previous Capital Projects review.
- 2) Detailed interviews with key employees relating to the processes for Capital Projects.
- 3) Review of vendor invoices, contracts and change orders.
- 4) Review of payments to vendors.



### **Revenues**

For our review, we chose the largest income source categories, (excluding grants which can be reviewed as a separate area), and tested various items within each of these categories. We also chose various revenue categories where the risk of misappropriation was possible and reviewed the processes and controls in place. There are fund sources that do not require billing by the District. For these sources, we reviewed how they are currently being tracked and reconciled by the District. The body of the report shows our test results and observations and recommendations we noted during our review.

During our testing we also noted that the risk of cash misappropriation is low due to the minimal amount of cash received by the District. Revenue and receipts has become an area where physical cash handled has been minimized. We found that over 98% of the funds received are by wire transfers and paper checks.

### **Capital Projects**

In addition to our Intensive Review of Revenues and Receipts, we also performed an updated review of Capital Projects. As part of our previous report, we made several observations and recommendations that we believed could assist the District in bettering the overall control structure of Capital Projects. To gain a better understanding of the capital project system since our last visit, we selected several recent projects for attribute testing. These tests are designed to identify key controls (or absence of) in the processes. We also reviewed the procedures and processes in place for the architect/construction manager as they relate to the District.

We did note that the District has implemented some of our recommendations. While our testing did not note any significant material exceptions, we did note areas for potential improvement.

# Chappaqua Central School District

## Review of Processes-Revenues, Receipts and Transfers

### Tax Levy:

For the school year 2017-2018, property taxes are estimated to make up approximately 89% of the District's revenue funds. This is approximately the same percentage of total revenue from the preceding year. The District receives these funds from two different towns, Mount Pleasant and New Castle, via wire transfers. Because of the source of these funds, the tax levy funds do not require billing by the District. The District has a separate designated bank account for all receipts from wire transfers. When funds are needed, transfers are made to general fund accounts by the District Treasurer.

The Town of Mount Pleasant notifies the District of the timing and amount of tax payments to be received. New Castle does not. Both transfers are wired at the same time. The District Treasurer reviews bank activity to confirm taxes were received. The District Treasurer also makes sure that the amount received coincides with the amount reported on the final budget.

Due to the nature of the revenue and electronic receipt of payments there are very few risks associated with this process. Any potential misappropriation of revenue would require a significant amount of collusion with other District staff, and/or outside government employees. As part of our review, we tested the property tax revenue process and were able to trace all the revenue and receipt amounts recorded in nVision (District's Financial System) back to original source documents. Additional attribute testing included:

- Reviewed documentation to verify that amounts recorded agreed with amounts received.
- Confirmed that the incoming funds tie back to the amounts on wire notification received.
- Traced funds to corresponding bank statements to verify that they exist.

We reviewed the six most recent tax transfers for the June 30, 2018 school year. No exceptions were noted.

### Borderline Property Taxes:

The District identifies properties that border the Chappaqua School District and other nearby school districts which include: Bedford, Byram Hills, Briarcliff, Yorktown, Ossining, and Pleasantville. Although the borderline student is attending Chappaqua schools, they pay school taxes to the neighboring district. Chappaqua can bill the neighboring school districts for the amount owed to them.

When a student enters the District, their information is entered into Infinite Campus, the District's student information software. The Business Office Assistant and the Assistant Superintendent of Business review Infinite Campus and maps to identify all the properties that need to be billed for their share of school taxes. The software will automatically flag any address which falls in between the property lines of Chappaqua and a neighboring district. The District invoices each applicable neighboring school district. Payments are remitted to the District Treasurer.



# Chappaqua Central School District

## **Review of Processes-Revenues, Receipts and Transfers**

### **Test Results**

We reviewed the processes in place for billing and tracking of borderline property taxes and noted no deficiencies. In addition, we traced invoices sent to the Bedford School District and the Byram Hills School District to bank statements to see if the payments were received.

No exceptions noted.

### **State & Building Aid:**

New York State Education Department (NYSED) calculates the aid amounts based on the information entered by a school district into various State databases. Each year NYSED publishes a State Aid Handbook which details the formulas and entitlements for school district State Aid for that given school year.

State and building aid make up approximately 7% of the Districts overall budget. NYSED utilizes many sources of information to calculate aid. The major sources of information used in the calculations are the ST-3 (Annual Financial Report) financial and enrollment data, STAC (System to Track and Account for Children) Special Education enrollment data, and BEDS (Basic Educational Data System) enrollment data. There are several District employees involved with the maintenance, compilation, and submission of this information. The Accountant is responsible for most of the financial information that is submitted on the ST-3 and STAC reporting systems. BEDS information is maintained, compiled and submitted by the Technology Department and Human Resource Department. STAC information is maintained and compiled by the Special Education Department.

Since the calculation of State Aid is prepared by NYSED and out of the control of the District, the greatest risks are ensuring the information submitted is accurate and ensuring NYSED's calculation of aid and aid chargebacks are correct. Due to the complexity and extensive administrative time needed to recalculate the aid, it is nearly impossible for a district to verify NYSED's calculated aid amounts. All the school districts we polled accept the State's amounts and instead question large variances. Therefore, a school district can only implement procedures to control the risk of incorrect information being submitted.

Attribute testing:

- Our testing included reviewing documentation to verify that amounts received agreed with NYSED certificates issued.
- Traced funds to corresponding bank statements to verify that they exist.

No exceptions were noted.

# Chappaqua Central School District

## Review of Processes-Revenues, Receipts and Transfers

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### State & Building Aid: (continued)

#### Lottery Aid:

Every year the District receives funds from the New York Lottery Commission. These funds are received by the District via wire transfers. The District receives notification of total aid amount as well as dates on when the amounts will be wired. For the school year 2017-2018 the District estimated revenue is approximately \$890,000 in funding from the NYS Lottery Commission. We reviewed approximately \$520,490 of Lottery Aid Revenue.

Attribute testing:

- Reviewed certificate for lottery aid to confirm aid amounts.
- Recalculated the payments summarized on the aid certificate to confirm the aid total matches.
- Traced monthly payments to bank statement to confirm their existence.

No exceptions were noted.

#### Facility Usage:

Certain organizations are permitted to use District facilities and athletic fields. Generally, the District charges certain users for building usage. The process for facility usage is automated through the School Dude Software. The process is done primarily by the Facilities Department. Potential users of the facilities first make a request at the building where they want to reserve a location and time. The District posts both the building usage fees and the Facility Usage Board Policy on its website.

Certain organizations are exempt from user fees. However, if extra staff is needed to cover events held by exempt organizations, overtime is charged. Applicants must apply through School Dude and provide proof of insurance coverage. The secretary sets up the invoice in School Dude.

The billing is done through School Dude and receivables are tracked in the software as well. All receipts are sent to the Facilities Office first. The receipt is then sent to the Business Office and is deposited by the District Treasurer. Billing is generally done quarterly, however there is no set schedule.

#### Test Results

As part of our testing, we reviewed 13 recent invoices related to facility usage. Our tests included:

- Review to see if billed rates agreed to the Board adopted rates.
- Traced invoices to cash/check receipts.
- If different organizations were or were not correctly charged user fees.
- If monthly rental, we also reviewed contracts to see if the District was billing the correct amounts.

Out of the invoices tested, there were no exceptions noted.



# Chappaqua Central School District

## Review of Processes-Revenues, Receipts and Transfers

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### Facility Usage (continued)

#### Observations and Recommendations:

- 1) Observation: Facility usage fees and charges are invoiced after the event has occurred. The District does not require security deposits to be paid ahead of the event date.  
Recommendation: In an effort to limit the exposure for uncollectible accounts or to ensure recovery for any facility damage, the District should consider requiring a security deposit before an event can be held. We have noted a neighboring school district that requires payment in full five days prior to the event date.
- 2) Observation: Currently, billing for facility usage is done quarterly. As a result, there are numerous instances where organizations are billed months after the date in which the event was held. This increases the risk of the possibility that organizations not paying their charged amounts.  
Recommendation: The District should consider transitioning from a quarterly billing cycle to monthly billing. Because the District uses School Dude for billing, this should provide for a smooth transition. Monthly billing should provide a more efficient and effective means of collecting and tracking outstanding invoices.

### Food Service:

The Food Service operation is outsourced to Aramark Food Services. Nutrikids is the point-of-sale software used to record food service activity. Students generally have prepaid accounts which they draw from using their individualized PIN or last name (depending on grade level). Parents can fund the students' accounts at the register by cash or check, or online using the My School Bucks program.

Aramark Food Services prepares the daily deposit slips. At the end of each day, cashiers count their drawer and enter the amount counted into the system without knowledge of what the system records indicate (blind count). Deposits at each building are pooled, and one deposit is created after cash and checks are recounted. Deposits are put into a sealed deposit bag and are brought to the bank by a courier. The courier then brings a copy of the deposit slip back to the District Treasurer. The District has a formal sheet showing a description and the amount of each deposit. It is required to be signed by the courier and by the Business Office employee who receives the copy of the bank deposit slip.

Food service deposits are reconciled back to the point-of-sale reports daily to ensure all funds were collected. On a monthly basis, the Accountant performs reviews of the Nutrikids reports and bank deposits. In addition, he inputs the My School Bucks deposits into nVision. Aramark provides a monthly report from NutriKids Pay-For-It program showing all credit card deposits.

# Chappaqua Central School District

## Review of Processes-Revenues, Receipts and Transfers

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### Food Service (continued)

The number of free and reduced students is used to calculate certain State Aid. The District has opted to withdraw the High School from the NYS Breakfast & Lunch Programs, and therefore is ineligible to receive reimbursement for the free and reduced meals served.

In addition, the District, through Aramark, provides lunch to an outside program, the Westchester Community Opportunity Program (WestCOP). Aramark bills the District for services rendered. The District will then create an invoice in Microsoft Word, dollar for dollar, based off of Aramark's bill and submit it to WestCOP for reimbursement.

### Test Results

As part of our testing, we chose a sample of food service deposits to review for accuracy. We also reviewed the processes involved with invoicing the outside organizations for food service reimbursements.

- We noted instances where the District was not timely with its billing of WestCOP for food related services provided by Aramark.

While we did not note any significant exceptions with our review of the deposits, we did note areas for potential improvement.

### Observations and Recommendations

- 1) Observation: There is currently no formal means of tracking whether amounts owed to the District have been properly billed. The District does not use the Accounts Receivable module in nVision.

Recommendation: The use of the Accounts Receivable Module within nVision would be very beneficial with this issue. Once the District receives the invoice from Aramark, they should immediately enter a receivable into nVision for the amount owed by WestCOP. This would provide for a more efficient means of tracking any outstanding amounts owed to the District. This also reduces the risk of the District inadvertently forgetting to bill WestCOP or any other outside vendor.



# Chappaqua Central School District

## Review of Processes-Revenues, Receipts and Transfers

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### Gifts and Donations:

We reviewed the processes in place with regards to gifts and donations. Gifts and donations are not a budgeted item because of their unpredictability. At the time of our review, the District had approximately \$44,000 in receipts of gifts and donations. While this may not be a material amount compared to other receipts, it is still an area susceptible to fraud or misappropriation. When an organization or individual wishes to donate to the District, they must submit payment with a formal letter noting the restriction of its use. Any gift over \$500 requires board approval. The District Treasurer keeps record of all gifts, including those under \$500.

### Test Results

We sampled six gifts totaling approximately \$37,000 from the June 30, 2018 school year and tested for the following attributes:

- Traced check images to deposit slips and bank statements.
- Reviewed supporting invoices to determine if monies gifted were used for its intended purposes.

No exceptions were noted.

### Continuing Education:

Adult applicants can choose from approximately 70 different classes. Each class has its own set fee. Registration is online or through a manual application. Applicants remit payments electronically or through check payable to the Chappaqua Central School District. Payments are sent to the Director of Continuing Education who prepares a deposit slip. It is then given to the District Treasurer for deposit.

During our review of the processes in place, we noted areas for potential improvement:

### Observations and Recommendations:

- 1) Observation: There is no independent review by the Business Office of total revenues earned from each class in comparison to the roster of each.  
Recommendation: The Accountant or another independent member of the Business Office should periodically review Continuing Education receipts as an additional control to make sure the District is receiving the correct amount of funds based on each class roster.



## Findings and Recommendations-Capital Projects

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### Capital Projects:

#### Vendor Payments

As part of our review, we sampled various payment applications for the Horace Greeley Infrastructure Project, the District-Wide Backflow Preventers, and Horace Greeley Competition Field. We reviewed for the following attributes:

- a. Application for payment exists and is signed by the Contractor and Architect.
- b. Check amount matches the application for payment.
- c. Recalculate retainage for accuracy.
- d. The payment packet was reviewed and approved by the Claims Auditor.
- e. Release of liens was received before final payments.
- f. Final inspections were performed before final payments.

The summary of our findings are as follows:

- 1) We found one instance where the Application for Payment (AIA) was hand written and filled out wrong. The dollar amount written in the "amount certified box" did not match the amount due. The amount paid is supposed to be equal to the amount certified. In addition, no invoice was attached to the AIA. We did confirm that the payment was for the correct amount.
- 2) We noted that the Director of Facilities is now signing off on all Applications for Payment.
- 3) The Claims Auditor signed off on all Applications for Payments tested.

#### Additional Observations and Recommendations:

- 1) Observation: We noted instances where a vendor submitted Applications for Payments that included multiple projects and multiple purchase orders. The combination of multiple projects on one application can lead to confusion and difficulties of correctly tracking projects. In addition, it could lead to miscalculations of each retainage schedule.  
Recommendation: To promote best practice, the District should stress that vendors should not combine multiple projects and amounts due on the same Application for Payment.
- 2) Observation: We found instances of hand written Applications for Payment forms.  
Recommendation: To promote best practice, the District should stress to all vendors that AIA forms should be typed. Handwritten forms could increase the risk of errors.

**Findings and Recommendations-Capital Projects**

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**Change Orders**

During our last review, the District was in the process of developing and improving their change order procedures. As noted, during our last review there were no formal approval processes in place. Since then, the District implemented several new procedures. The District passed a resolution authorizing the Superintendent to approve capital project change orders of up to \$40,000, with proper presentation to the Board upon the next scheduled meeting.

As part of our engagement we reviewed 8 change orders available at the time of review with regards to this new process and noted no exceptions.

**Conclusion**

After review of the District's policies and procedures for Revenues and Receipts, we feel that there is a good overall control structure in place. We believe the recommendations made in this report will make processes even stronger.

We noted that the District has taken several steps in improving their controls over the Capital Project Process. Because these projects are ongoing, we stress that the District continue to monitor carefully.