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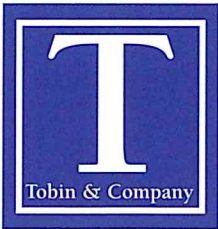
Chappaqua Central School District

Updated Risk Assessment Report
Covering the State mandate for the year ending June 30, 2015

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 previous Risk Assessment report, dated September 12, 2013 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, 2015.

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

September 16, 2014

Chappaqua Central School District

Executive Summary

The District continues to maintain strong internal controls and procedures over its business operations, and has implemented recommendations from our previously issued risk assessment reports. The risk scores are summarized below:

	Risk Score	Risk Level
Revenue and Receipts	65	Medium
Transportation	65	Medium
Human Resources and Payroll	64	Medium
Purchasing and Payables	61	Medium
Benefits	58	Medium
Information Technology	56	Medium
Food Service	51	Medium
Student Services	51	Medium
Facilities and Operations	48	Low
Vending Machine Service	45	Low

Summary of improvements to the procedures and internal controls since the last review:

- 1) Administrators at the Ed Center now submit requests for time off in writing.
- 2) Textbooks purchased for non-public schools are now being stamped, "property of Chappaqua Central School District".
- 3) The District is now working to purge old, unused vendors from Finance Manager.
- 4) The District is planning to conduct a physical count of tagged assets in October.
- 5) Benefit reimbursement invoicing and logging of receipts is now being segregated and cross checked.
- 6) The Technology Department installed an internal vulnerability scanner.
- 7) A backup generator will soon be able to provide electricity to the entire Ed Center.
- 8) Overtime of Facilities staff is now approved by the Director utilizing a standard form.
- 9) All staff received a memo explaining that all requisitions as well as work orders are now to be run through School Dude.
- 10) The District recently obtained a list from the Town of New Castle. This list identifies the ultimate facility user. In addition, the District will now charge extra for these sub leases.
- 11) Facilities and Operations brought in a training consultant this year who will provide appropriate safety training to all staff.

Summary of new and previously noted observations:

- 1) Scheduling and organizing substitute teachers and aides is a manual process. The District should consider using an automated system.
- 2) Team club accounts of the Middle School are accounted for by the Business Office. These are not considered extra classroom activities and should not be part of the District process.
- 3) Payroll Clerks should be responsible for each other's payroll.
- 4) The District has not yet implemented positive pay with the bank.
- 5) The District does not use My Learning Plan to the extent of its capability.

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 accounting 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.

During our engagement we interviewed the following key personnel:

Dr. McKay, *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*

Darleen Nicolosi, *Director of Instructional Technology*

Vincent Savino, *Health Benefits*

Deirdre McManus, *Director of Food Service*

Andrew Selesnick, *Assistant Superintendent of Human Resources*

Alex Djordjevic, *Accountant*

Suzann Schriro, *Payroll Clerk*

Margaret Ryan, *Payroll Clerk*

Christine Brundage, *Accounts Payable Clerk*

Pam Tole, *Free/Reduced lunch*

Claudine Howson, *Accounts Payable*

Chris Weir, *Claims Auditor*

Liisa Elsner, *Human Resource Clerk*

Seth Corwin, *Chappaqua Transportation*

Chappaqua Central School District

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 initial assigned risk score, previous risk score, and its updated risk score, as well as how it compares to the average score of thirteen neighboring school districts:

Area of Review	Previous Risk Score	<i>Current Risk Score</i>		Comparison to 13 districts average scores
		Score	Level	
Revenue and Receipts	65	65	Medium	66
Transportation	65	65	Medium	60
Human Resources and Payroll	64	65	Medium	67
Purchasing and Payables	61	61	Medium	64
Benefits	58	58	Medium	63
Information Technology	56	56	Medium	63
Food Service	51	51	Medium	58
Student Services	51	51	Medium	59
Facilities and Operations	48	47	Low	52
Vending Machine Services	45	45	Low	-

Below is a 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
Facilities and Operations	Completed- 6/30/2014	
Information Technology	Completed- 6/30/2013	
Human Resources and Payroll	Completed- 6/30/2012	Recommended
Vending Machine Services	Completed- 6/30/2012	
Purchasing and Payables	Completed- 6/30/2011	
Food Service	Completed- 6/30/2010	
Student Services	Completed- 6/30/2009	
Benefits		Recommended
Revenue and Receipts		
Transportation		

Summary of Reviewed Areas

Revenue and Receipts - Risk Score: 65

When reviewing the District's procedures in this area, we reviewed different methods in which money is received and how it is recorded, revenue sources are and how money is moved from one account to another. Our review revealed the existence of good overall internal controls, proper reviews and sign offs.

Although there is a high dollar volume in this area as well, receipts were assessed a *Medium Risk* level due to good overall procedures, and internal controls. However, this is a very significant area of the activities of the District and electronic transfers need to be closely monitored.

Significant Internal Control changes made since the last risk assessment report:

-None.

New and previously reported Observations and Recommendations:

-None.

Current Assessment – 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. Our updated review noted the same good controls over the receipt of funds and the protection of cash as previously reported. The District has recently engaged an agency that specializes in special education to review the special education process and State aid reimbursement reports. The report documented well established operational processes and procedures. The review also reported the State aid reimbursements were accurately filed, with only a negligible amount of unclaimed aid missed. The Risk Level remains at *Medium*.

Human Resources and Payroll - Risk Score: 65

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) Administrators in the Ed Center are now submitting requests, in writing, for approval, for time off.

Human Resources and Payroll *(continued)*

New and previously reported Observations and Recommendations:

- 1) **Observation:** The District has one employee manually organizing and scheduling substitute teachers and aide's district wide. The District does not use an automated substitute teacher scheduling system such as AESOP or Subfinder. While we did not note any significant issues, the District should consider automating the process.
Recommendation: The District should determine whether there are significant benefits in switching from a manual system to an automated system. We have noted many neighboring districts using either AESOP or Subfinder.
- 2) **Observation:** Currently, Payroll Clerks are responsible for their own payroll.
Recommendation: The Payroll Clerks should enter and pay the other to appropriately segregate and avoid any problems which may arise from paying themselves.
- 3) **Observation:** The District owns the My Learning Plan software, but does not use it 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 credits and submit courses for approval. The District should consider taking advantage of this capability to phase out the current manual tracking system.

Current Assessment

The District has implemented nearly all our recommendations from our previously issued intensive review report of Human Resources and Payroll, dated October 31, 2011. We recommend the District perform a limited review of Human Resources as it interacts with payroll. Specifically focusing on step and lane changes calculations and approval process. Due to this area's nature and monetary size, it is difficult for the risk level ever to fall below medium. The Risk level of *Medium* is unchanged.

Purchasing and Payables - Risk Score: 61

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 serve as its internal claims auditor. We again 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) Textbooks being purchased for non-public schools are now being stamped "property of Chappaqua Central School District".
- 2) The District is now working to purge old, unused vendors in Finance Manager.

Purchasing and Payables *(continued)*

New and previously reported Observations and Recommendations:

- 1) Observation: The District has not yet implemented a positive pay system with the bank.
Recommendation: Positive pay is another layer of control over accounts payable. The bank obtains a list of payments and will not honor any check not on the pre-approved list.

Current Assessment

Our intensive review report of Purchasing and Payables dated May 26, 2011 noted strong internal controls and procedures, and good segregation of duties. The majority of our recommendations from that report have been addressed. The Purchasing Agent is well educated in purchasing regulations of the District and State and the claims auditing process is thorough. While we feel there is little risk in this area, the risk rating remains at *Medium*.

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 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

Management continues to analyze the costs of transportation and how it compares to neighboring districts. Management believes its transportation costs are reasonable when compared to neighboring school districts. Transportation is normally a medium risk area due to its low susceptibility of monetary fraud or theft. The risk rating remains at Medium Risk.

Benefits - Risk Score: 58

Due to the low relative dollar volume and the procedures currently in place, benefits was originally assessed a *Medium Risk* rating. The common concern in this area is the possibility of benefits being paid for unauthorized employees or retirees. However, we believe there are controls and procedures in place to mitigate this risk.

Significant Internal Control changes made since the last risk assessment report:

- 1) Invoicing for benefit reimbursements and logging of receipts is now segregated and being cross checked.

New and previously reported Observations and Recommendations:

Benefits (continued)

Current Assessment

The Benefits process is primarily handled by one employee. This is a common observation found among school districts, and because of budget restrictions, we do not expect corrective action. The Benefits Clerk is knowledgeable and works closely with other departments of the District. While we did not note any significant deficiencies, this may be an area that could be selected for a future intensive review. The Risk Level remains at Medium

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:

- 1) The District installed an internal vulnerability scanner.
- 2) A backup generator will soon be able to provide electricity to the entire Ed Center during an outage.

New and previously reported Observations and Recommendations:

-None.

Current Assessment

Our intensive review report of Information Technology dated December 28, 2012 noted a well established environment with good internal controls and procedures. The District has implemented, and plans on implementing, our recommendations made in that report. The District goes to great lengths to limit the risks associated with Information Technology. However, because of its nature, it is nearly impossible for the risk level of this area to ever be at a Low level. The risk score was reduced to 56 and risk level remains unchanged at *Medium Level*.

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Summary of Reviewed Areas

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 students. Because 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, Food Service was rated at *Medium Risk*.

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*.

Student Services - Risk Score: 51

Extra classroom activities is an area where student funds are handled by many individuals before it is deposited into the club 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. This area is rated as *Medium Risk*.

Significant Internal Control changes made since the last risk assessment report:

-None.

New and previously reported Observations and Recommendations:

- 1) Observation: School team clubs are generally not considered extra classroom activities. It was noted that the team club activity of the Middle School are accounted for by the business office in addition to the extra classroom club activity.
Recommendation: The activity of the team clubs at the High School are accounted for by the PTA. We recommend the club teams at the Middle School follow the same procedure.

Student Services *(continued)*

Current Assessment

In 2009, the District had an intensive review done on this area. Our updated review documented the same controls and procedures in place as previously reported. The area of Student Services is generally overlooked because of its immateriality to a school district's overall budget. As a result, resources are not put towards the process and it typically causes the risk level to be higher than expected. While we did not find any significant weaknesses the Risk level remains at *Medium*.

Facilities and Operations (including security) - Risk Score: 47

Maintenance is 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 buildings and grounds. 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. We believe that the systems in place reduce risk enough to assess this area a *Low Risk* level.

Significant Internal Control changes made since the last risk assessment report:

- 1) The District is planning to conduct a physical count of tagged assets in October of this year.
- 2) Overtime of Facilities staff is now approved ahead of time, utilizing a form which the Director of Facilities approves.
- 3) All staff received a memo explaining that all requisitions as well as work orders are now to be run through School Dude.
- 4) The District recently obtained a list from the Town of New Castle which identifies the ultimate facility user. In addition, the District will now charge extra for these sub leases.
- 5) Facilities and Operations brought in a training consultant this year and provided appropriate safety training to all staff.

New and previously reported Observations and Recommendations:

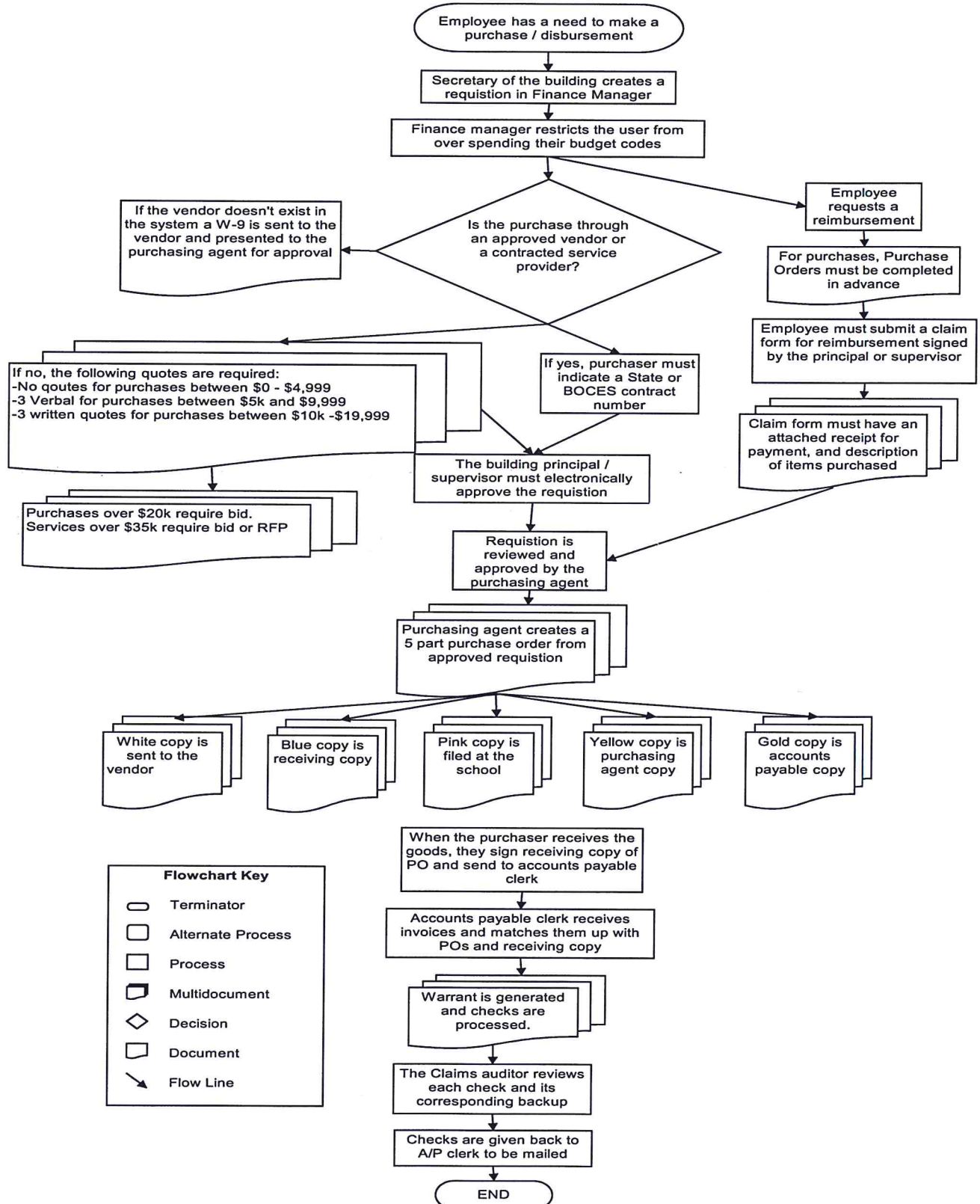
-None.

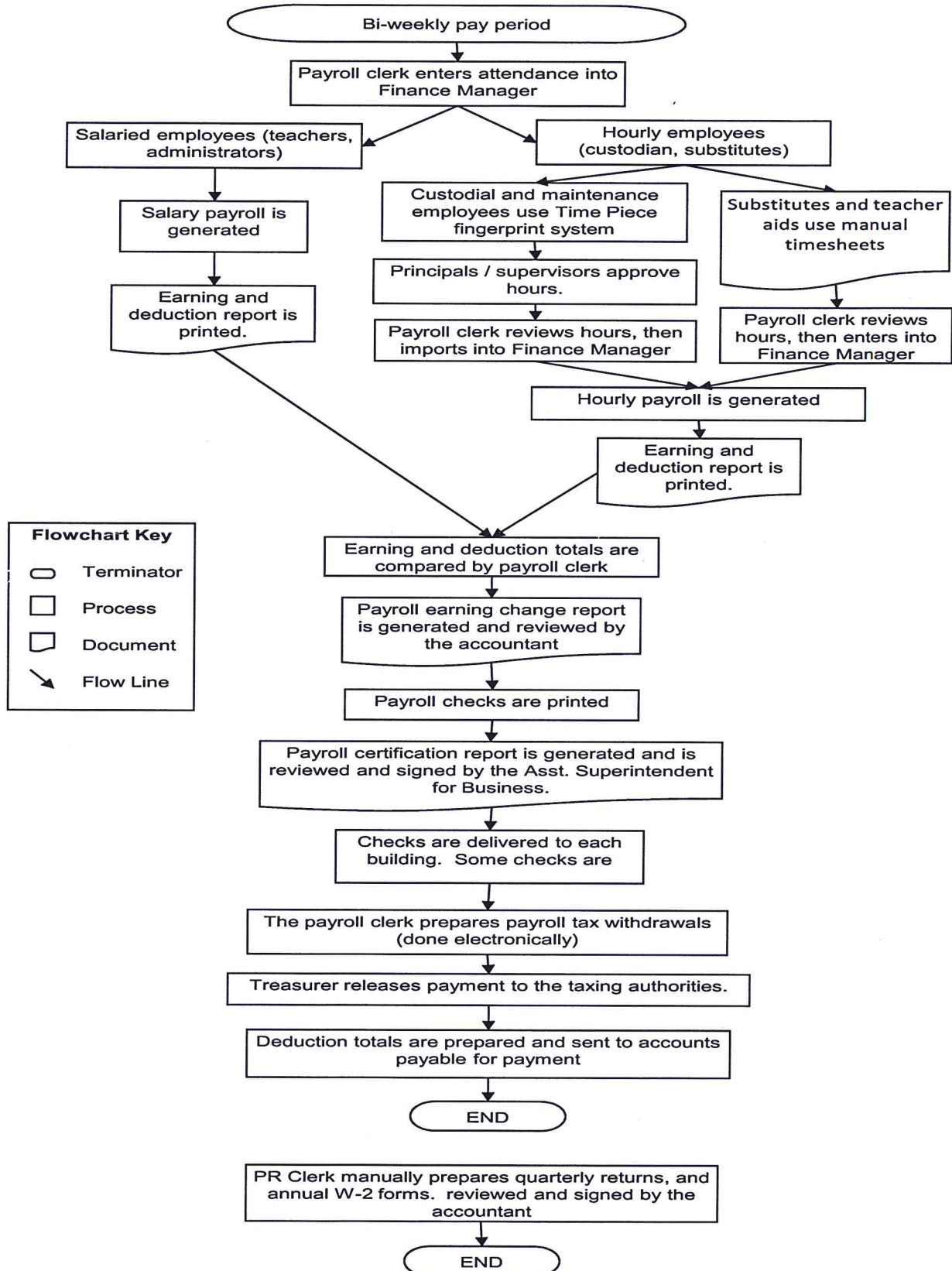
Current Assessment

This area maintains its strong procedural controls. The District consistently finds new ways to strengthen controls and procedures in an effort to save the District money.

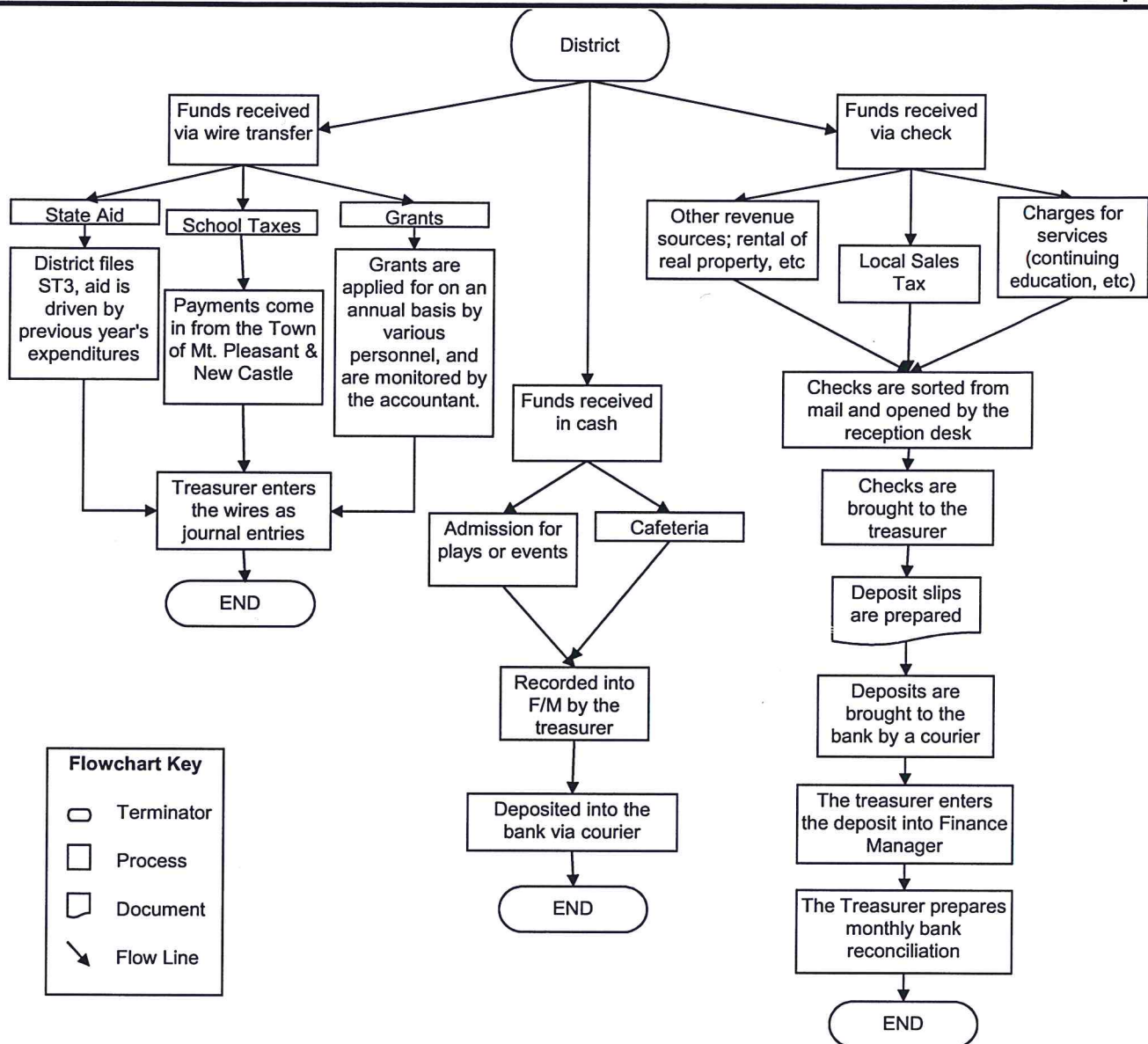
The Risk level remains at *Low Risk*.

Flow Chart – Purchasing and Payables



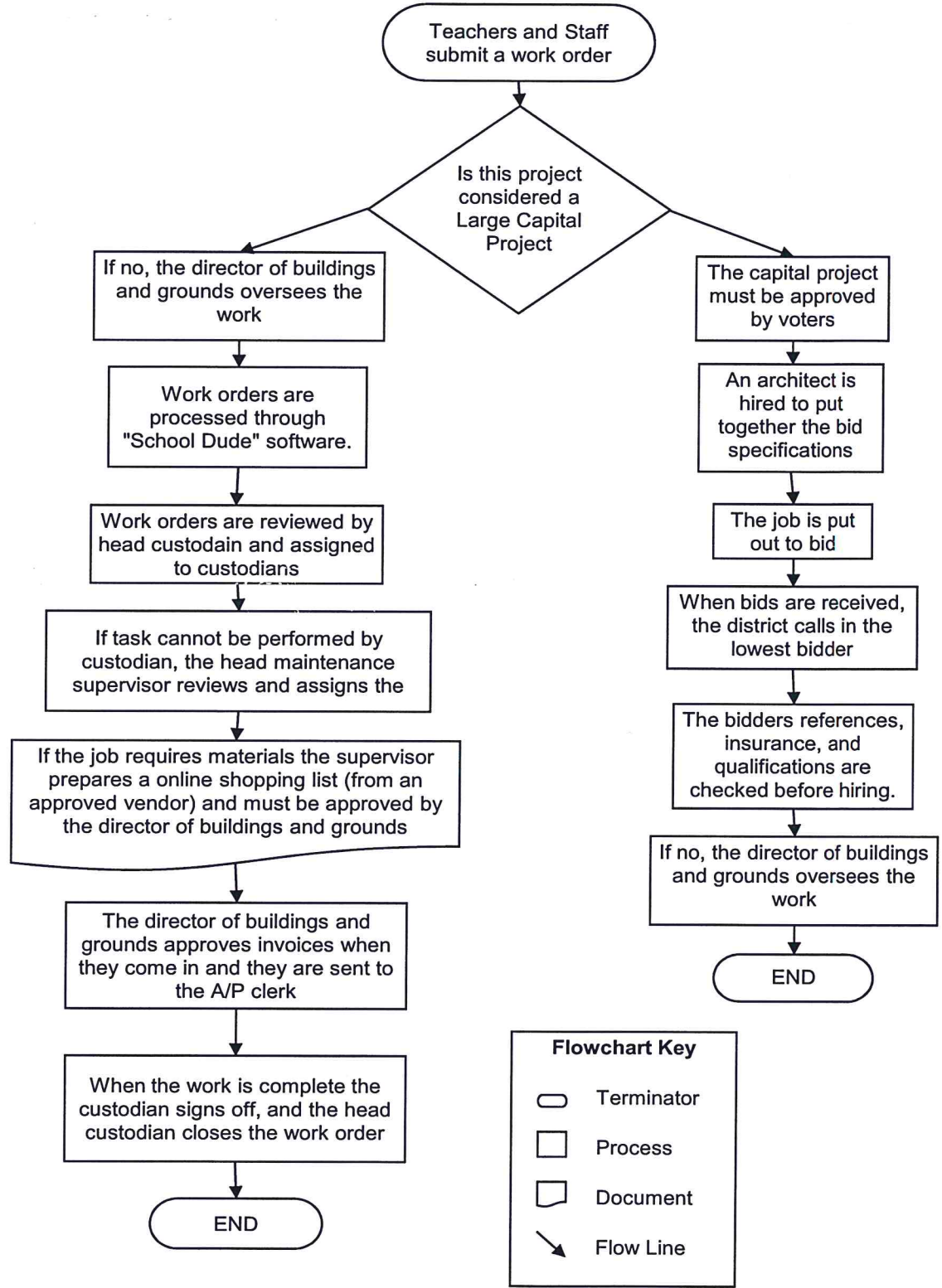


Flow Chart – Receipts



Chappaqua Central School District

Flow Chart – Facilities and Capital Projects



Chappaqua Central School District

Flow Chart – Food Service

