

CHAPPAQUA CENTRAL SCHOOL DISTRICT

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December 19, 2011

To: Lyn McKay and the Audit Committee

From: John Chow

Re: Response to Internal Audits: Vending Machine Policy Review, Updated Risk Assessment Report and Intensive Review of Human Resources and Payroll

- Vending Machine Policy Review

- Recommendation:

- The District hires a third party vending machine company to operate the vending machines.

- Response:

- District will contract with a third party for all vending machines beginning School Year 2012-13. District will put out a bid in early spring.

- Updated Risk Assessment Report

- Human Resources and Payroll

- 1) Recommendation:

- When employees resign or retire, there is no formal exit interview performed by personnel.

- Response:

- We agree with the recommendation. This procedure has been established. The Assistant Superintendent for Human Resources will conduct exit interviews with certified staff and the Assistant Superintendent for Business will conduct exit interviews with classified staff.

- 2) Recommendation:

- Unclaimed payroll checks not to be returned to the Payroll Clerk.

- Response:

- We have changed the procedure to have unclaimed payroll checks returned to the Treasurer. So far this year we have no unclaimed payroll checks.

N1) Recommendation:

The Payroll Clerk should not have the capability to edit her own employee information (deductions, exemptions).

Response:

We totally agree with this recommendation. Currently, only the Business Office Assistant can edit the salary information for classified staff. The payroll clerk is prohibited to edit any of her own information.

N2) Recommendation:

Finance Manager should only be used to account for financial activities of the District and not as a net check calculator.

Response:

After we received this draft report, the payroll clerks were informed that the payroll module of Finance Manager can only be used to account for financial activities of the District. Employees will be advised to contact their tax advisors or will be directed to an online site (ADP) for net pay calculation.

N3) Recommendation:

The Accountant be the second individual to perform the live paycheck distributions rather than one of the payroll clerks.

Response:

We agree with this recommendation. Live paycheck distributions will be performed by the Business Office Assistant and the Accountant in the future.

N4) Recommendation:

All overtime be approved in writing in advance.

Response:

Current COSA/CSEA contracts do not stipulate written preapproval for overtime. Verbal authorization is the practice. We will try to include this in the future contract negotiations.

N5) Recommendation:

Have the Accountant sign off on the quarterly payroll tax return.

Response:

Accountant will sign off on any payroll review function to indicate that a review has been completed.

Purchasing & Payables

1) Recommendation:

District needs to improve its control over checks.

Response:

We expect the upgrade of the financial system during the second half of this school year which will address this matter.

Revenues and Accounts Receivable

1) Recommendation:

Segregation of duties is need in the area of bank reconciliations.

Response:

Treasurer will continue to do the bank reconciliations. All reconciliations will continue to be reviewed by the Assistant Superintendent for Business.

Benefits

1) Recommendation:

Segregation of duties – Someone other than the benefit clerk be designated as the receiver of benefit payment checks.

Response:

We will need to review this recommendation further.

Facilities and Capital Assets

1) Recommendation:

Have each maintenance worker be responsible for tracking his work assignment.

Response:

The Director of Facilities and the Foreman do track each assignment, just not through School Dude. At this time, we will not implement this recommendation.

▪ Intensive Review of Human Resources and Payroll

Procedure Deficiencies

1) Recommendation:

When employees resign or retire, there is no formal exit interview performed by personnel.

Response:

Same as Updated Risk Assessment Report, Human Resources and Payroll 1).

2) Recommendation:

Unclaimed payroll checks not to be returned to the Payroll Clerk.

Response:

Same as Updated Risk Assessment Report, Human Resources and Payroll 2).

3) Recommendation:

The Payroll Clerk should not have the capability to edit her own employee information (deductions, exemptions).

Response:

Same as Updated Risk Assessment Report, Human Resources and Payroll N1).

4) Recommendation:

Finance Manager should only be used to account for financial activities of the District and not as a net check calculator.

Response:

Same as Updated Risk Assessment Report, Human Resources and Payroll N2).

5) Recommendation:

The Accountant be the second individual to perform the live paycheck distributions rather than one of the payroll clerks.

Response:

Same as Updated Risk Assessment Report, Human Resources and Payroll N3).

6) Recommendation:

The Payroll Clerks review each other work after employee changes are made. The Accountant should then review the payroll change report and investigate any changes. The Treasurer should continue reviewing the Finance Manager employee audit trail report for unusual changes.

Response:

We agree with the recommendation. We have established a "to do" document to be maintained by both Payroll Clerks. This information will be available on the share drive in order for the following employees to access: Treasurer, Accountant and Assistant Superintendent for Business. Future errors and/or changes will be communicated to appropriate personnel.

Documentation Deficiencies

1) Recommendation:

We recommend that overtime be approved in writing in advance.

Response:

Same as Updated Risk Assessment Report, Human Resources and Payroll N4).

2) Recommendation:

All District staff performing any review function sign off to indicate that a review had been completed.

Response:

We accept this recommendation and have communicated this to all employees.