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**Chappaqua Central School District**  
**Intensive Review of Purchasing and Accounts Payable**  
**June 30, 2011**

# Chappaqua Central School District

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**TOBIN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS, PC

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

We have performed an intensive review of the Purchasing and Accounts Payable Cycle, as agreed to by the Chappaqua Central School District (the District) for the year ended June 30, 2011. The purpose of this engagement is to ensure compliance with applicable New York State laws and regulations under the Fiscal Accountability Initiative.

This agreed upon procedure was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Our Updated Risk Assessment included examination of system documents, and interviews with key personnel.

We were not engaged to, and did not perform an external audit, the objective of which would be the expression of an opinion on the financial statements of the District. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

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

Tobin & Company  
Certified Public Accountants, PC  
May 26, 2011

At the request of the Board of Education of the Chappaqua Central School District ("the District"), we performed a Risk Assessment of various District business procedures and activities. Using our Risk Assessment report (dated November 12, 2010), the Board of Education engaged our firm to perform an intensive review of the Purchasing and Payables cycle.

The following excerpt is from our Risk Assessment Report regarding the purchasing and accounts payable cycle:

**PURCHASING and ACCOUNTS PAYABLE – Risk Score 66**

*Purchasing and Payables are assessed together due to their close relationship. The District follows New York State purchasing regulations. We reviewed the procedures and documentation for purchases of supplies, employee reimbursements, and contract purchases. As with human resources and payroll, this area's rating is affected by its significant dollar value and its susceptibility to fraud.*

Our intensive review of Purchasing and Accounts Payable consisted of the following:

- Detailed interviews of District personnel using industry accepted checklists.
- Physical observation of the purchasing and accounts payable cycle.
- Testing random warrants for internal control attributes that should exist based on our understanding of the procedures during our interviews.
- Comparison of current District procedures to weakness found in other school districts.
- Inspection of the security over sensitive documents, software, hardware and assets related to purchasing and accounts payable.
- Review of previously issued New York State Comptroller's audit, and internal auditor reports.

Key personnel interviewed during our review were as follows:

Michael Trnik, *Purchasing Agent*

Christine Brundage, *Accounts Payable Clerk*

Claudine Howson, *Accounts Payable – Special Ed*

Blanche Blair, *District Treasurer*

Christopher Weir, *Claims Auditor*

John Chow, *Assistant Superintendent for Business*



# Chappaqua Central School District

## Summary

Based on our review of the policies and procedures in the area of purchasing and accounts payable, we feel there are sufficient internal controls to prevent and/or detect misappropriation of assets. We are pleased to report our tests yielded no major exceptions and found that procedures were carried out properly. We noted a few items for improvement, all of which are minor. Those findings and recommendations are in the body of this report.

We compared best practice procedures and controls for purchasing and accounts payable to the District as well as school districts of similar and larger size. As shown below, we found that the District, met almost all general best practice attributes and compared evenly with other districts.

	Chappaqua Central School District	Similar size school district	Larger size school district
Segregation of duties of the purchasing agent and accounts payable clerk	✓	✓	✓
Formal Bidding and RFP policy	✓	✓	✓
Several levels of approvals for purchase orders	✓	-	✓
Sequential purchase order numbers	✓	✓	✓
Signed receiving copies	✓	✓	✓
Independent Claims auditor	✓	✓	✓
Employees have limited software access rights	✓	✓	✓
Check stock and permission disk securely locked	✓	✓	✓
Special ink toner for printing checks	✓	-	✓
Tracking and review of numeric check sequence	✓	✓	✓
Independent clerk prepares bank reconciliations	✓	-	✓
Treasurer reviews warrant before issuance	-	✓	✓
W-9's are obtained and kept on file	-	✓	✓

It is difficult to implement ideal internal controls in an environment where resources are limited, however, we feel the District has a solid working design. This is not an absolute assurance that fraud or theft would be discovered or prevented and therefore the District should always remain vigilant. We encourage the Board of Education and Administrators of the Chappaqua Central School District to contact us at any time for our guidance on how to implement our recommendations, as well as any other controls they wish to put in place.

# Chappaqua Central School District

## Findings and Recommendations

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Our findings and recommendations are separated into three categories:

- Procedure - Procedure Deficiencies show where there is a lack of, or insufficient internal control.
- Documentation - Documentation Deficiencies are findings where the auditors believe controls exist, but are either not being documented at all, or are not being sufficiently documented.
- Security - Security Deficiencies refer to the physical security of documents, software, and other district assets.

### Procedure Deficiencies

- 1) Finding: (Ability to print checks and not post) Accounts payable checks are printed using EDGE software. After checks are printed, the user is prompted to post checks. If the user selects "no" the checks will not be posted to Finance Manager, yet the live checks would have already been printed.  
Recommendation: This is a difficult weakness to control without the use of prenumbered check stock. The District has controls in place, such as bank reconciliations and management review, that could detect a cashed fraudulent check that was printed and not posted to Finance Manager; however it would not prevent it from occurring. The District intends to upgrade Finance Manager so the check printing process will be done through one system.

### Documentation Deficiencies

- 1) Finding: (Ed Data reconciliation) Before the new school year begins, Ed Data compiles purchase orders for the District and sends the purchasing agent a CD ROM with all the orders saved onto it. The Purchasing agent then uploads this information into Finance Manager and proceeds with the normal purchasing process. Our concern is that Ed Data input may not be accurate and go through the entire process undetected. According to management, the purchase orders are reviewed; however there is no documentation indicating it had been performed.  
Recommendation: We recommend the District use hash totals to compare the initial approved order to the final purchase orders uploaded to Finance Manager to ensure agreement. Any differences should be investigated. Any review or reconciliation done by the District should be documented to indicate the procedure was performed.
- 2) Finding: The District does not require a new vendor to submit a completed W-9, nor does it keep copies on file.  
Recommendation: W-9's should always be obtained and kept on file.

### Security Deficiencies

No major exceptions noted.



### Test Results

The results of our attribute testing for various procedures and internal controls are as follows:

#### Competitive bidding

We selected 14 vendors at random with either large or frequent year to date (y-t-d) activity. Our test was designed to determine if the District was properly bidding for goods and services. We reviewed for attributes such as; 3 vendor quotes, request for proposals, lowest bid selected, recommendation to the Board, signed contract, and Board approval.

We found no exceptions.

#### Vendor thresholds

We selected 14 vendors with large or frequent y-t-d activity and found the Purchasing Agent monitors the expenditures and purchasing dollar thresholds manually. The previous internal audit of purchasing recommended the expenditure limits be tracked through the District software. We do not feel this is a significant finding, and the results of our test indicate the manual process to be effective.

#### General purchasing

We selected 61 purchases and reviewed various purchasing attributes including:

- Whether bidding requirements were needed and met.
- If approved State vendors were used, were they valid and current.
- Completed Asset tags on goods costing over \$500.
- Special Ed services were approved.

No exceptions noted.

#### ED Data purchases

We tested the purchases through ED Data for the 2010/2011 school year. Of 9 vendor purchases tested, 1 purchase order for WB Mason did not agree to Finance Manager. The amount posted to Finance Manager was \$17,196, versus \$25,671 reported by ED Data.

No other exceptions were noted.

#### Accounts payable

We tested 61 disbursements and tested for several control attributes including:

- Receiving copy was signed.
- Reimbursements were approved and back up was provided.
- No sales tax paid
- Approved purchase order
- Purchase order date was before check date.
- Warrant was approved by Claims auditor

No exceptions noted.