



Chappaqua Central School District

*Follow-Up to NYS Comptroller's
Audit Report
June 2010*



INTERNAL AUDITORS AND ADVISORS
80 Broad Street 34th Floor New York, NY 10004
p: 646.375.9500 f: 646.328.0011 accumepartners.com

June 11, 2010

Mr. Jeffrey Mester
President of the Board of Education
Chappaqua Central School District
66 Roaring Brook Road
Chappaqua, NY 10514

Dear Mr. Mester:

We have recently completed a review of the progress in implementing the Chappaqua Central School District ("the District")'s Corrective Action Plan which was in response to the Office of the New York State's Comptroller's Audit Report issued in April 2008. The audit covered internal controls over selected financial activities. Based on the audit findings, the Comptroller made six recommendations to address certain internal control weaknesses. A follow-up audit was recommended by the Audit Committee and our internal audit risk assessment report which was completed earlier this fiscal year.

Our review was limited to interviews with District personnel and inspection of certain documents related to the issues identified in the report. We reviewed the District's records and documentation for the period July 1st, 2009 through January 31st, 2010. The audit procedures performed were in accordance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. Based on the limited procedures performed, it appears that the District has fully implemented its corrective action plan.

We trust that our follow-up was of assistance to you. We met with Management on May 17th, 2010 and with the Audit Committee on June 8th 2010, to discuss the audit findings and recommendations. Management's Responses are incorporated in the report. We are available to meet with the Board to discuss this report at its convenience.

We appreciate the fine level of cooperation provided to us by the District's staff during our audit and look forward to working with them in the future.

Sincerely,

A handwritten signature in cursive script that reads "Accume Partners".

Accume Partners

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Comptroller's Recommendation 1 – Competitive Bidding

District officials should provide proper oversight and ensure that the purchasing agent implements the District's purchasing policy, including compliance with legal bidding thresholds.

Status of Corrective Action: Implemented

Internal Audit Observations/Findings: The Purchasing Agent manually tracks vendor expenditures and legal thresholds. The Purchasing Agent reviews purchase orders with the vendor, prints out a vendor history of expenditures report, and highlights open market expenses, i.e. those not on a state contract or bid. At approximately \$8000, the Purchasing Agent flags the vendor, and will suggest to staff that the item in question be procured from another vendor. In general, manual processes tend to be less effective and more ad hoc than automated processes. Also, Internal Audit noted numerous instances where the purchase order description read "Open P.O." or "Blanket P.O.," without any further description or explanation as to the purpose and nature of the expenditure. This further complicates the Purchasing Agent's ability to determine the items procured.

Internal Audit Recommendation: The Purchasing Agent manually tracks vendor expenditures and legal thresholds. Thus, the District should contact their provider of their Business & Accounting Software System to inquire if an "accumulator" function can be installed to facilitate the monitoring of total expenditures by vendor. In addition, the Purchasing Agent should require specific and detailed information on Purchase Requisitions, to facilitate the review of expenditures by Purchase Order and Vendor.

Management's Response: District accepts the recommendation and will request Finance Manager to modify the software.

Comptroller's Recommendation 2 – Requests for Proposals (RFP)

The Board should amend its purchasing policy to adequately address procurements of professional services, which are not subject to competitive bidding.

Status of Corrective Action: Implemented

Internal Audit Observations/Findings: The District's *Purchasing and Bidding Policy 6085* was amended on December 1, 2009 to specify that the Board "shall utilize Requests for Proposal (RFPs) for the procurement of professional services whenever the cost of such services exceeds an annual expenditure of \$40,000." The Business Official maintains a schedule of professional services that the District goes out for an RFP every five

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years. Specifically, the schedule lists Food Services, Internal Services, Legal, Auditing, Special Education, Computer Consulting, Building Condition Survey, and Security System services. However, many of these services fall below the \$40,000 threshold. Therefore, Internal Audit notes the Policy may not adequately address the intent of the law.

New York State General Municipal Law (“GML”) does not require competitive bidding for procuring contracts for professional services that involve specialized skills, training, and expertise. However, Section 104-b of GML does require Districts to adopt written policies and procedures governing the procurement of goods and services when competitive bidding is not required, to ensure the “*prudent and economical use of public moneys.*”

The District’s current Policy specifies a threshold whereby most professional service contracts do not require an RFP according to the Policy. In addition, no alternative procurement process is specified such as verbal or written quotes for contracts falling below the threshold. Thus, most of these contracted services would presumably not be obtained from a competitive procurement method. As a result, the District cannot be assured that professional services with contract values below \$40,000 were obtained at the best quality and lowest price.

Internal Audit Recommendation: The District should consider amending its Board Purchasing Policy to establish clear and consistent guidance on when an RFP is required for procuring professional services. Specifically, the District should lower the threshold for those professional services that require using the RFP procurement process as an alternative to competitive bidding. In addition, the District should also provide guidance on what alternative procurement method should be adopted for those contracts not meeting the threshold, such as is done with competitive bidding requirements.

Management’s Response: The Board of Education’s Policy Committee will review this recommendation and will make its recommendation to the Board.

Comptroller’s Recommendation 3 – Written Contracts

District officials should ensure that the District has written, signed agreements in place with professional service providers that clearly define the amount of compensation, the type of services, and the duration of the work to be performed.

Status of Corrective Action: Implemented

Internal Audit Observations/Findings: Internal Audit noted that the District’s *Purchasing and Bidding Policy 6085* was amended to include the following “*Contractual agreements with providers of professional services shall be approved by the Board at regular public meetings upon the recommendation of the Superintendent.*” In addition, Internal Audit reviewed District procedures to ensure that signed contracts are obtained for professional service providers. Also, Internal Audit verified that all professional service providers of special education services tested in the subsequent section had complete and executed contracts that were signed by the District and Board approved. We found no exceptions.

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There are no recommendations for this area.

Comptroller's Recommendation 4 – Special Education Claims

The claims auditor should ensure that all claims submitted for special education services are valid District expenditures. All claims should include adequate documentation of the work performed and be subject to a proper audit and approval to payment.

Status of Corrective Action: Implemented

Internal Audit Observations/Findings: Internal Audit reviewed the internal controls over the payment of special education claims. To do so, we randomly selected twenty-three cash disbursements totaling \$24,696 to test. Specifically, we reviewed the claims to ensure that the purchase order was appropriately approved, that an original and itemized invoice reconciled to the purchase order and payment; that the claim was approved by Director of Special Education; adequate documentation supported the claim and the work performed was verified (hours of service provided, District claim form completed, signed by Parent, if applicable); the claim reconciled to contract terms; and finally the claim was timely processed. We did not find any exceptions.

There are no recommendations for this area.

Comptroller's Recommendations 5 and 6 – Criminal Background Checks

District officials should develop a procedure to ensure that required background checks are conducted.

District officials should monitor compliance with Education Law and continue to obtain criminal background checks on independent contractors.

Status of Corrective Action: Implemented

Internal Audit Observations/Findings: Internal Audit reviewed the procedures in place to ensure that for all applicants employed by the District, through an independent contractor's agreement, a fingerprint supported criminal history background check is performed, and compliance is monitored.

Specifically, we interviewed District Staff to gain an understanding of the procedures in place. We noted that the District's *Application for Consultant Services* contains an *Addendum* that requires applicants to sign an acknowledgment of any disciplinary or criminal history, and furthermore, to consent to a criminal background check. Also, all independent contractor agreements contain the following provision: "*The Consultant is*

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subject to the fingerprinting requirements of Section 1709(39) of the Education Law. If the Consultant does not receive clearance, this Agreement shall be null and void.”

Also, we noted that the Senior Office Assistant of the Special Education Department maintains a spreadsheet of all independent contractors by the individual’s and Agency name, contract rates, fingerprint clearance, and work assignment. The list is used to track consultants’ status and is reviewed periodically to reconcile billing and other documentation that is submitted to the Department.

In addition, our review included randomly selecting thirty-five independent contractors working for the District’s Special Education Department to test. For each individual, we obtained their Fingerprint Clearance form issued by the New York State Education Department (NYSED) Office of School Personnel Review and Accountability (OSPRA). We found no exceptions.

There are no recommendations for this area.