

CHAPPAQUA CENTRAL SCHOOL DISTRICT

P.O. BOX 21, CHAPPAQUA, NEW YORK (914) 238-7200

August 28, 2014

To: O'Connor Davies, LLP
External Auditor

From: John L. Chow

Re: Response to Management Letter for Fiscal Year Ended June 30, 2014

This is the District's response to the above-mentioned management letter issued by the external auditing firm, O'Connor Davies. On September 23, the District's Audit Committee will meet with auditors to review the management letter and financial statements. On October 8, the auditors will make a presentation to the Board of Education at an open meeting after which the Board will accept the report.

We discussed this management letter with personnel from the areas that are affected and collectively came up with this response. We believe that all the internal controls, operational/procedural issues, and recommendations made in the management letter either have been or will be addressed through corrective action plans presented below:

School Lunch

Finding: Prepaid Meal Cards

The auditor noted that a receivable of \$13,334 was recorded for students as of June 30, 2014. Also noted that the District does not have a policy in place for writing off uncollectable meal card balances when a student leaves the District.

Recommendation

The District continues to make reasonable efforts to eliminate the receivable balance at year end. Furthermore, the auditors recommend that management implement a policy for writing off meal card balances that are deemed uncollectable.

Response

Responsible: Director of Food Service and Business Office

Action: We continue to do our best to collect the full amount before year end. We had an outstanding balance of \$16,575 at year ended June 30, 2013 and that amount was reduced to \$13,334 by year ended June 30, 2014. Even though we do not have a collection policy, we have a workable procedure which is to collect the funds at graduation time. Parents of each graduating class know that they must pay all outstanding bills in order for their children to receive diplomas and this has worked well for us.

Timeline: This will be an ongoing process.

Special Aid Fund

Finding: Amounts Due from State

The auditor noted that District had outstanding amounts due from the state for the 2009-10, 2010-11, 2011-12 and 2012-13 summer handicapped program year of \$6,801, \$198,976, \$397,093 and \$343,756 respectively.

Recommendation

The District monitors these outstanding amounts and presents all write-offs to the Board including records relating to these programs identifying the rate setting costs and the amounts actually paid by the School District. If such amounts are ultimately deemed uncollectable, they should be written off with board approval and funded by the General Fund.

Response

Responsible: Director for Special Education, Educational and Management Services, Inc. (contractor who files District's special education claims), and Business Office

Action: We do monitor these collectables closely. The 2009-10 collectibles are still considered active. We believe by February 2015, SED's STAC Unit will be able to close the 2009-10 year and at that time, we will make a recommendation to the Board to write off the uncollectible portion, if necessary.

Timeline: Ongoing annually.

Agency Fund

Finding: Flexible Spending Accounts

The third party vendor has not reconciled the District's outstanding balance. As of June 30, 2014, approximately \$110,000 remains on the books of the District.

Recommendation

The District work with the third party vendor to reconciled their outstanding invoices.

Response

Responsible: Business Office

Action: Prior to December 2012, the District controlled funds in these accounts and only wire transferred the necessary funds to AFLEX (AFLEX will send the District a usage report and the District will transfer the funds). Since December 2012 AFLEX has farmed out this service to Wagework and the District does not manage these funds anymore. The District wires all of the collected funds and wires them to Wagework for management. The issue here is during the transition, AFLEX did not provide the usage report for 2012 and therefore as of June 30, 2014, approximately \$110,000 remains on the books of the District. We have been working with AFLEX to reconcile the outstanding balance, but at this time, this vendor is having difficulty to provide all necessary records.

Timeline: We will continue to work with this third party vendor.

Extraclassroom Activities

Finding: Cash Receipts

Auditor noted that two receipts within the High School Student Class of 2014 and Bell Middle School Yearbook were not deposited timely.

Recommendation

It is recommended that all monies be deposited within 72 business hours upon receipt as mandated by New York State.

Response

Responsible: High School Principal and Treasurer, and Bell Middle School Principal and Treasurer

Action: We informed the above-mentioned responsible individuals and also informed all the principals that monies must be deposited within 72 hours of receipt.

Timeline: Completed.

Cc: Lyn McKay
Audit Committee Members