

CHAPPAQUA CENTRAL SCHOOL DISTRICT

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

September 15, 2010

To: O'Connor Davies Munns & Dobbins, LLP
External Auditor

From: John L. Chow

Re: Response to Management Letter for Fiscal Year Ended June 30, 2010

This is the District response to the management letter issued by the external auditing firm, O'Connor Davies Munns & Dobbins (ODMD). On September 16, the District's Audit Committee will meet with auditors of ODMD to review the management letter and financial statements. On October 13, the ODMD 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:

Special Aid Fund

Finding

Balanced Budget

The District's Special Aid Fund did not have a balanced budget.

Recommendation

The District closely monitors any changes in appropriations. These changes must also reflect a revenue source that must also be increased or decreased with proper Board approval.

Response

Responsible: Assistant Superintendent of Business, Treasurer, and Accountant

Action: The Business Office staff will continue to monitor changes in appropriations to this fund and make appropriate modifications with Board's approval.

Timeline: Put into place immediately.

Finding

Summer Handicapped Program

The audit disclosed that the District only tracks the program costs when the program is completed and payments are made to the School District.

Recommendation

The system for accounting and tracking the status of expenditures and approvals for this program be modified to an individual student basis.

Response

Responsible: Accountant

Action: As noted in the management letter, the District has begun tracking student expenditures on an individual level.

Timeline: Corrective action implemented.

School Lunch

Finding

The auditor noted that a receivable of \$17,844 was recorded for 1,203 students and 111 staff as of June 30, 2010.

Recommendation

Management instruct the food service workers not to allow the staff to purchase amounts which exceed the card balance and make reasonable efforts to eliminate the receivable at year end.

Response

Responsible: Director of Food Service and Business Office

Action: Staff – we will ask staff to pay the negative numbers; we will inform the staff and food service workers that we will not allow staff to purchase amounts which exceed the card balance.

Students – Since the last audit, in addition to the Food Service Director's phone message and letters, the Business Office also sends out collection letters to those accounts with negative balance. We will continue to do so.

Timeline: This will be an ongoing process.

Special Purpose

Finding

Auditor noted that one account had no activity for the year.

Recommendation

The District analyzes the balance and reviews the purpose of this bequest so that a determination may be made as to the proper disposition of funds.

Response

Responsible: High School Principal and Treasurer

Action: We do review the bequest. It just happened that this year there was no activity in the Miles Chair Fund. We trust this finding is just informational.

Timeline: Ongoing

Cash

Finding

A bank confirmation disclosed that one of the three authorized signers on the District's accounts is no longer valid.

Recommendation

District contacts all banks and updates the list of authorized signatories and any inactive personnel should no longer appear as an authorized signer.

Response

Responsible: Treasurer

Action: For the District accounts, there are only three authorized signers, Superintendent, Assistant Superintendent for Business, and Treasurer. After the superintendent left the district on June 30, we informed the banks and had him removed as signer. However, one of the banks requires additional paperwork.

Timeline: This signer was removed.

Encumbrances

Finding

Certain funds should have been classified as accounts payable rather than encumbrances.

Recommendation

District reviews their rollover purchase orders and determines whether or not a purchase has been received, or if the service has been performed prior to year end.

Response

Responsible: Accounts Payable Clerk

Action: At the end of the fiscal year, we will review all the rollover purchase orders to determine the correct booking, either as encumbrances or accounts payable.

Timeline: Will be performed at the end of each fiscal year beginning in June 2011.

Employee Compensation

Finding

Certain administrators are receiving an auto allowance through the Accounts Payable system and these should be included as Payroll Expenditures

Recommendation

All allocation relating to employee compensation be included in payroll ledger. The use of an accounts payable system should be for vendor transactions only.

Response

Responsible: District Counsel and External Auditor

Action: District Counsel reviewed this matter and agreed with the auditor. District Counsel will work with auditor to come up with a resolution for the Board of Education to consider.

Timeline: By the end of calendar year 2010.

Extraclassroom Activities

Finding

The District maintains a student extracurricular activity account that does not qualify under appropriate state guidelines. The account has a current cash balance totaling \$10,427 which is already recorded by management in the Agency Fund. The activities are supervised by teachers who are in charge of collecting donations from parents. The District's Business Office deposits receipts and pays the invoices for the various activities.

Recommendation

Since these funds represent activities that are not in compliance with State guidelines we recommend that the District close the account and suggest that the PTA or another parent organization maintains the account.

Response

Responsible: Central Treasurer for Extraclassroom Activities' Fund and the Assistant Superintendent for Business

Action: This was reviewed by the Internal Auditor and the recommendation was to continue as before and these activities will not be considered extraclassroom since there is no student involvement in the management of the program.

Timeline: Everything is in place.

Cc: John Chambers
Audit Committee Members