Chappaqua Central School District

Joshua Culwell-Block
Assistant Superintendent for Business

Christine Ackerman Ph.D.
Superintendent of Schools

TO: Board of Education
CC: Dr. Christine Ackerman
Audit Committee

FROM: Joshua Culwell-Block
DATE: March 20, 2024

RE: Management Response to Internal Audit Annual Risk Assessment Update

The auditors of Nawrocki Smith LLP, the district's internal audit firm have completed their initial risk assessment update for the 2023-2024 school year as required under Chapter 263 of the Laws of 2005 and Section 170.12 of the Regulations of the Commissioner of Education. Their report cites various recommendations for improvements. Below is the District's response to their recommendations along with the person responsible for and anticipated completion date of any corrective actions.

Revenue and Cash Management

Recommendation (FA2324-1): **(page 8)** The District should modify existing procedures to ensure collections are delivered to an employee separate from the Business Office's revenue or disbursement functions. This will prevent a single employee, the District Treasurer, from controlling all phases of the cash collection to reconciliation functions. The Business Office should implement a cash/check log to record the check received in the mail and designate an employee to reconcile this information to the bank receipt tickets and collections reported in nVision.

Response: The business office will implement a cash & check receipt log to record all incoming monies. The log will be completed by an employee separate from the Business Office's revenue or disbursement function. Once logged in, the Treasurer will receive the cash & checks from the employee maintaining the log and deposit the funds. After the funds are deposited, the Accountant will enter cash receipts into the accounting system and reconcile the deposits to the cash receipt log. The Treasurer will reconcile the cash receipts entered and cash log to the bank statement when performing the bank reconciliation process. The Assistant Superintendent for Business will review all bank reconciliations, including support documentation for any reconciling items and deposits in transit. Additionally, the District has begun accepting online payments for trips, exams, club activity, and other payments, which has significantly reduced the amount of cash and checks coming into the Business Office. We will continue to further promote online payment processing, and work to find a low fee system.

Responsible Person: Joshua Culwell-Block, Assistant Superintendent for Business
Completed: August 1st, 2024

Recommendation (FA2324-2): **(page 8)** The District should establish a monthly cash flow analysis process to track the inflow and outflow of cash. This should include the collection of relevant financial data, reconciliation of cash transactions, and the preparation of cash flow statements. The Assistant Superintendent for Business should review the cash flow analyses monthly to identify any issues or discrepancies and communicate the results to the Board of Education. This will enhance the District's oversight of cash flow management.

Response: The District agrees with this recommendation to establish a formal cash flow analysis. The Treasurer will prepare a cash flow statement and submit an updated report to the Assistant Superintendent for Business monthly.

Responsible Person: Cathleen Lynch, District Treasurer
Anticipated Completion: April 15th, 2024

Recommendation (FA2324-3): **(page 8)** The District should develop a comprehensive online banking policy to guide how to manage online banking activities. The online banking policy should include provisions for authorizing and accessing bank accounts, electronic transactions and wire transfers, password management, monitoring transactions, and contingency planning.

Response: The District has Online Banking procedures that contain the recommendations that would be present in a policy. The District will present a draft policy that includes industry best practices to the Board of Education Policy Committee for adoption.

Responsible Person: Joshua Culwell-Block, Assistant Superintendent for Business, Cathleen Lynch, District Treasurer
Anticipated Completion: June 30th, 2024

Payroll

Recommendation (FA2324-4): **(page 8)** The District and its vendor support group should review the data configuration of the position identification within the financial application system by investigating the reasons behind the differences in position identifications and budget account codes. Furthermore, the District should include within its procedural manual a process to periodically review the employee listing and reconcile it to the appropriate position ID and budget account codes. This will assist the District in maintaining consistency in its employee headcount accounting and reporting process and enhancing its budget oversight and control.

Response: The District has completed an audit of its position control and budget identification. The District has created a process to ensure that new positions, hires, transfers are reflected in position control and the budget line each position is represented in. The District will audit this October and June of each year, and has added this to its procedural manual.

Responsible Person: Joshua Culwell-Block, Assistant Superintendent for Business
Completed: February 1st, 2024

Recommendation (FA2324-5): **(page 9)** The Business Office, Human Resources Department, and the Payroll Department should review the permissions user account report and verify the appropriateness of user accounts and permissions on an individual employee basis. Any permissions determined to be a segregation of duties issue should be revised or deactivated. This recommendation will assist the District in ensuring that users are assigned only those rights needed to perform the job duties and minimize the risk of unauthorized changes made.

Response: The District has completed an audit of account permissions. There will be an audit of permissions in October of each year.

Responsible Person: Joshua Culwell-Block, Assistant Superintendent for Business and Cathleen Lynch, District Treasurer
Anticipated Completion: March 30th, 2024.

Recommendation (FA2324-6): **(page 9)**The Payroll Department should make every effort to obtain the required signatures from employees and direct Supervisors to document the request and approval of hourly timesheets. This will assist the Payroll Department in documenting that employee hours worked have been properly authorized, reviewed, and approved for payment.

Response: The District is in process of completing a secure, compliant electronic method of receiving approval of hourly timesheets. This will ensure that Payroll receives timely, accurate, and authorized hours approved for payment.

Responsible Person: Joshua Culwell-Block, Assistant Superintendent for Business
Anticipated Completion: September 1, 2024

Recommendation (FA2324-7): **(page 9)** The District should consider revising the payroll schedule to prevent advance payroll payments and allow immediate updates for employee departures. The District should update the contents of its employee exit checklist and include a process for the Payroll Department to document its review of the number of working hours, salary, employee absences and leave accrual balance, dock days, and deductions reported in nVision. Based on this information, the Payroll Department should enter the employee's dock days and/or applicable deductions in the payroll module of nVision when the District is ready to process the final payments. This will assist the District in reducing the risk of payroll overpayments.

Response: The District strongly agrees with this recommendation, and will be working to create a payroll schedule that prevents advance payroll payments. The District will work with its unions and administration to comply with this recommendation. The District will update its exit checklist to comply with the recommendations above.

Responsible Person: Joshua Culwell-Block, Assistant Superintendent for Business
Anticipated Completion: September 1, 2025

Benefits

Recommendation (FA2324-7): **(page 10)** The District should develop a process to obtain Form SSA - 1099 – Social Security Benefit Statement or other documentation from their insurance carrier or retired employees verifying that they paid for their benefits prior to processing Medicare reimbursements. These documents should be maintained in the former employee's benefits file. This will ensure that the District is accurately processing Medicare reimbursements.

Response: The District will develop a process to verify retirees are being reimbursed only the amount they are paying for Medicare part B.

Responsible Person: Joshua Culwell-Block, Assistant Superintendent for Business and Francesca Zacarolli, Benefits Assistant
Anticipated Completion: August 1, 2024.

Information Technology

Recommendation (FA2324-8): (page 9) Information Technology Department should conduct, at a minimum, an annual restoration of a full backup of the District's servers to ensure the restoration process works as intended and that the District is able to recover data if needed. As an alternative to the above recommendation, the Information Technology Department should develop a schedule of restoration procedures for each critical application and perform such on an annual basis to ensure that the restoration process works as intended and is able to recover data, if needed. District employees and Internal Auditors should participate during the restoration procedures. The testing results should be documented and communicated to the Assistant Superintendent for Business for review. All restoration tests should be performed in a way and at a time that will not disrupt regular operations and will truly mimic actual restoration procedures.

Response: The District has robust backup procedures that include on-site backup, off-site physical media backup, and cloud backup of all its systems. Three backup copies of all data are transferred at variable intervals, depending on records retention policies. The District will institute a plan for restoration process testing, and keep a detailed of of the restoration tests.

Responsible Person: Joshua Culwell-Block, Assistant Superintendent for Business
Anticipated Completion: August 1, 2024