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: December 10, 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 2024-2025 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 (FA2425-1): **(page 8)** The Business Office should perform annual reconciliations of petty cash funds to confirm that the sum of receipts and cash on hand equals the authorized petty cash amount. Any overages should be promptly deposited with the Business Office. Shortages, particularly significant ones, should be reported immediately to the Business Office for investigation and resolution.

Response: The District has a Petty Cash limit of $100 per school. The treasurer will collect the petty cash receipts and remaining cash and reconcile each school's account, and create a log of the process.

Responsible Person: Cathy Lynch, Treasurer
Anticipated Completion: June 30, 2024

Fixed Assets

Recommendation (FA2425-2): **(page 8)** The District should utilize the attached narratives as supplemental to the existing departmental manual regarding fixed asset inventory procedures. Additionally, the District should consider providing annual training workshops to Building Administrators and Administrative Assistants regarding fixed asset procedures and inventory management. This will result in a sustainable process and an annual internal review of the processes, and it will serve as a training document for the building-level Administration and the Business Office.

Response: The district has provided training for the department heads and those responsible for fixed assets in Technology, Operations & Maintenance, and the Business Office. It will arrange annual training for building administrators and administrative assistants regarding fixed assets procedures and inventory management.

Responsible Person: Joshua Culwell-Block, Assistant Superintendent for Business
Anticipated Completion: February 28, 2025

Recommendation (FA2425-3): **(page 8)** During the budget season, the Business Office should review the historical trends and fixed asset expenditure needs for the Facilities and Curriculum Departments to optimize budget allocations and prevent unnecessary appropriations.

Response: The district, utilizing the new limits for equipment and fixed assets, will analyze the trends in Facilities and Curriculum to re-align budgets and prevent unnecessary appropriations.

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

Recommendation (FA2425-4): **(page 9)** To improve the fixed asset inventory procedures and internal controls, we recommend the following:

- Each building-level Department Head should be responsible for securing, tagging, and disbursing newly acquired fixed assets. This recommendation applies to all individuals ordering equipment from the Business Office and Information Technology Department. The Information Technology Department should integrate the information technology asset tags, purchase orders, and acquired values with the District's property ledger to facilitate comprehensive reconciliation and reporting.

- The Business Office should review the instances where fixed assets are not appropriately tagged and their location is not reported in the property ledger, and update it accordingly.

Subsequent to our review, the District, with the assistance of its fixed asset appraisal company, is in the process of implementing this recommendation.

Response: The District is in the process of integrating the Technology Department asset management system and the District Asset Management system. The business office, technology department, and operations and maintenance will continue to work with building-level department heads to secure, tag, and disperse newly acquired assets. The inventory management manual will be updated to reflect this.

Responsible Person: Joshua Culwell-Block, Assistant Superintendent for Business
Completed: February 1, 2025

Recommendation (FA2425-5): **(page 9)** According to its procedural manual, the District should maintain documentation indicating the results of the comparison of physical inspections to property records and the reconciliations of the additions reported on the property ledger to the general ledger for equipment codes reported in nVision to confirm the accuracy of the reported fixed asset costs.

Subsequent to our review, the District, with the assistance of its fixed asset appraisal company, is in the process of updating its property ledger so the Business Office can conduct physical inspections in a formal and consistent way.

Response: The District is working with its appraisal company to update its property ledger. This is being done in a manner consistent with the procedural manual. The district, following policy, will continue to complete random inspections of property records.

Responsible Person: Joshua Culwell-Block, Assistant Superintendent for Business and Cathleen Lynch, District Treasurer
Anticipated Completion: June 30, 2025

Recommendation (FA2324-6): **(page 9)** According to its procedural manual, the District should utilize its "Transfer Request Form," indicating the request for the movement of a fixed asset from building to building. The building level Administrator or Department Head who requests the movement should complete the standardized request form. The transfer request form should serve as a mode of communication to the Business Office to review and approve such requests. Once reviewed, the Business Office, or another designated employee, should update the inventory schedule to reflect the status of the asset's location.

Response: The transfer request form will continue to be used when items are moved from building to building. To determine whether items are moved without completing this process, random inspections, and RFID tags are being issued on all new fixed assets.

Responsible Person: Joshua Culwell-Block, Assistant Superintendent for Business
Anticipated Completion: December 20, 2024

Status of Prior Year Recommendations not yet completed

Status as of December 2024: In-Process:

Revenue & Cash Management:
Recommendation (FA2324-1): 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 District is in the process of increasing the hours of a part time staff member to allow for this further segregation of duties.

Responsible Person: Joshua Culwell-Block, Assistant Superintendent for Business
Anticipated Completion: February 28, 2025

<u>Recommendation (FA2324-2)</u>: 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 Treasurer will submit updated cash flow reports to the Assistant Superintendent for Business each month with the bank reconciliations.

Responsible Person: Cathy Lynch, District Treasurer
Anticipated Completion: January 15, 2025

<u>Information Technology:</u>
<u>Recommendation (FA2324-8)</u>: The 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 is in the process of migrating its servers to a cloud system. Once this is complete, it will conduct a full restoration. It has added a full restoration test to its cyber security plan.

Responsible Person: Joshua Culwell-Block, Assistant Superintendent for Business
Anticipated Completion: February 28, 2025