

*a community for learning*

## **Chappaqua Central School District**

**Updated Risk Assessment Report  
Covering the State mandate for the year ending June 30, 2017**

# Chappaqua Central School District

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## TOBIN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, PC

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To the Board of Education of the  
Chappaqua Central School District  
Chappaqua, New York

We have performed an update to our Risk Assessment report, dated August 31, 2016 of the Chappaqua Central School District (the District). The purpose of this engagement is to ensure compliance with applicable New York State laws and regulations under the Fiscal Accountability Initiative for the fiscal year ending June 30, 2017.

Our report updates the risk assessment scores and levels of the different processes of the District, and highlights any improvement changes or weaknesses in internal controls noted since the last risk assessment report. This report also provides a recommended area where an in-depth review should be performed.

We are pleased to have had the opportunity to serve you and look forward to reviewing this report in detail with you. We would also like to thank the Board of Education and the employees of the Chappaqua Central School District for their time and assistance during our engagement.

Sincerely,

*Tobin & Company*  
*Certified Public Accountants, PC*

Purchase, New York  
August 31, 2016

The District has continued to maintain good overall procedures and strong internal controls over its operational activities. Since our last review, the District has implemented several changes since the previously issued risk assessment reports. Below is a summary of our observations.

Notable improvements to internal controls and procedures since the last risk assessment:

- 1) Invoicing for benefit reimbursements and logging of receipts is segregated and being cross checked.
- 2) The Health Benefits Supervisor reconciles the health care invoice to District records.

Summary of *newly* noted areas for potential improvement:

- 1) The human resources assistant should look for ways to automate the calculation of teacher salary contract changes.
- 2) Upon review of the claims process, we noted 2 out of 910 claims with payments totaling approximately \$120 that were submitted by Special Education which were not in accordance with the contract.
- 3) The District does not utilize "My Learning Plan" software to its full capabilities.
- 4) The District does not utilize the positive pay feature with its financial institution.

Summary of *previously* noted areas for potential improvement

- 1) The District should consider having the Payroll Clerks document their process and adopt one unified set of processes to be followed consistently.



# Chappaqua Central School District

## Risk Assessment Overview

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At the request of the Board of Education of the Chappaqua Central School District "the District" we have performed a Risk Assessment of several areas. Our assessment includes an analysis of business procedures and activities. The risk assessment considered qualitative, quantitative, technological, and human elements of the District's operations.

During our engagement we performed the following procedures:

- We interviewed key personnel, including top administration, mid-level management, and business office employees.
- We evaluated forms and documentation used in the daily business processes.
- We evaluated internal controls, policies, and procedures.
- We evaluated technology used by the District as well as the security of the technology.
- We prepared flowcharts for key operational areas.
- We reviewed the audit reports from The District's External Auditors.

During our engagement we interviewed the following key personnel:

Warren Messner, *Board of Education Member*

Dr. McKay, *Superintendent of Schools*

John Chow, *Assistant Superintendent for Business*

Blanche Blair, *Assistant Business Manager/District Treasurer*

Michael Trnik, *Purchasing Agent*

Joseph Gramando, *Director of Facilities*

Darleen Nicolosi, *Director of Instructional Technology*

Vincent Savino, *Health Benefits*

Kusum Sinha, *Assistant Superintendent of Human Resources*

Alex Djordjevic, *Accountant*

Suzann Schriro, *Payroll Clerk*

Jackie Silipigni, *Payroll Clerk*

Christine Brundage, *Accounts Payable Clerk*

Pam Tole, *Free/Reduced lunch*

Claudine Howson, *Accounts Payable*

Chris Weir, *Claims Auditor*

Liisa Elsner, *Registrar, Business Office Assistant*

Jennifer Michel, *Human Resource Assistant*

# Chappaqua Central School District

## Explanation of Risk Ratings

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The risk assessment quantifies scores in various areas of the operations of the District. The scores determine if a particular area is graded low, medium, or high risk. The following illustrates the range of possible scores:

|             |          |
|-------------|----------|
| Low Risk    | 21 - 49  |
| Medium Risk | 50 - 77  |
| High Risk   | 78 - 105 |

Risk levels were assigned to each area based on six key variables.

- 1) *Dollar Volume* - The higher the dollar volume, the higher the value assigned.
- 2) *Adequacy of Personnel* - Values assigned depend on personnel having proper qualifications, and that there is enough staff to perform proper internal controls.
- 3) *Complexity of Activity* - Different reviewed areas are more complicated and allow more opportunities for fraud or misappropriations.
- 4) *Management Interest* - If management places a priority, or expresses interest in a particular area, it is awarded a higher risk value to ensure that attention is paid to that area.
- 5) *Adequacy of Procedures* - If there are proper procedures that are understood and followed, risk levels are significantly reduced.
- 6) *Adequacy of Internal Controls* - Lack of controls could mean that procedures are not followed correctly, increasing risk levels.

In order to calculate the Risk Score for each reviewed area, we have to determine the risk level for each variable. The following is an illustration of the calculation which assigns risk scores to each variable:

A = Rank - Each variable is ranked in order of its importance from 1-6 (6 being most important).

B = Descriptive Value - Each variable is scored with a value from 1-5 (5 being highest risk) depending on our findings for that particular area.

A x B = Weighted Value - Calculated by multiplying each Variable's rank by its descriptive value.

When we have computed a score for each variable, they are totaled giving us the Total Risk Score for the reviewed area being evaluated.

*\*It should be noted that not all of these variables can be controlled by the District. For instance, the dollar volume for receipts, payables, and payroll will always be high. Therefore, even with perfect controls these areas would not be considered low risk. This should be taken into consideration when reading the results of our scoring.*

# Chappaqua Central School District

## Risk Ratings - Results

In the illustration below we list each operational area, its previous assigned risk score, and the updated risk score and level.

| Area of Review              | Previous   | <i>Current Risk Score</i> |        |
|-----------------------------|------------|---------------------------|--------|
|                             | Risk Score | Score                     | Level  |
| Human Resources and Payroll | 65         | <b>68</b>                 | Medium |
| Revenue and Receipts        | 65         | <b>65</b>                 | Medium |
| Transportation              | 65         | <b>65</b>                 | Medium |
| Capital Projects            | -          | <b>65</b>                 | Medium |
| Purchasing and Payables     | 61         | <b>61</b>                 | Medium |
| Benefits                    | 58         | <b>58</b>                 | Medium |
| Information Technology      | 56         | <b>56</b>                 | Medium |
| Food Service                | 51         | <b>51</b>                 | Medium |
| Student Services            | 51         | <b>51</b>                 | Medium |
| Facilities and Operations   | 47         | <b>48</b>                 | Low    |
| Vending Machine Services    | 45         | <b>45</b>                 | Low    |

Below is the history of previously completed intensive reviews as well as our recommendation for the next area to be reviewed:

| Area of Review             | Intensive Review History         | Next Area          |
|----------------------------|----------------------------------|--------------------|
| Benefits                   | Completed- 6/30/2016             |                    |
| Human Resource and Payroll | Completed- 6/30/2012 & 6/30/2015 |                    |
| Facilities and Operations  | Completed- 6/30/2014             |                    |
| Information Technology     | Completed- 6/30/2013             |                    |
| Vending Machine Services   | Completed- 6/30/2012             |                    |
| Purchasing and Payables    | Completed- 6/30/2011             |                    |
| Food Service               | Completed- 6/30/2010             |                    |
| Student Service            | Completed- 6/30/2009             |                    |
| <b>Capital Projects</b>    |                                  | <b>Recommended</b> |
| Revenue and Receipts       |                                  |                    |



### Human Resources and Payroll - Risk Score: 68

Payroll is an area in which the high dollar volume in relation to the District budget inherently makes it a "higher risk" area. Payroll is also an area that is generally susceptible to fraud. These two factors make it difficult for the risk level in this area to ever be rated low, regardless of the controls in place.

#### Significant Internal Control changes made since the last risk assessment report:

None.

#### New and previously reported Observations and Recommendations:

- 1) Observation: As found in many school districts, the District has two Payroll Clerks who perform different sections of the payroll process. Both of the Payroll Clerks are cross trained in the other's function. However, there is no formal written process for either payroll function.  
Recommendation: While we did not note any significant weakness in the current process, the District should consider having the payroll clerks document their process and form one set of uniform procedures. This will ensure the same process is followed by a substitute in the event of a long absence or new hire.
- 2) Observation: The Payroll Clerk is responsible for entering and maintaining attendance in Nvision. She is also responsible for rolling over the attendance at the beginning of the school year. There is no independent review of the attendance data entry by someone other than the payroll clerks.  
Recommendation: The District should consider designating a person to independently review the employee accrued time off rollover schedule at the beginning of the school year. This would help ensure the accrued time off is rolled over from one year to the next accurately. The District may also consider having an independent person perform spot checks of the employee attendance schedules on a periodic basis.
- 3) Observation: The District does not utilize My Learning Plan software to its full capabilities.  
Recommendations: The District uses My Learning Plan to register for in-service credits as well as BOCES courses. A large part of My Learning Plan is its ability to track all credits and submit courses for approval. The District should consider taking advantage of this capability to replace the current manual tracking system.
- 4) Observation: The annual salary rollover is calculated in Human Resources and given to the Payroll Department for entry. The manual calculation process is partially due to the various special contract pay stipulations that complicate the salary rollover. The District should consider automating the process where possible.  
Recommendation: The District should inquire whether the process can be automated through the software. It should be noted each time a special contract adjustment is made it increases the complexity of processing payroll. As the complexity of the process rises, so does the potential risks for error. The District should consider the effects of these special contract agreements on the operational processes. We also recommend the business office review the salary rollover calculation performed by the Human Resource Department.



### **Human Resources and Payroll** *(continued)*

#### Current Assessment

The Payroll Clerks are knowledgeable about the various payroll contracts and are diligent in the payroll process. We have performed an intensive review in this area and our report dated November 25, 2014 noted good controls and some areas for potential improvement. The District has implemented most of those recommendations.

Currently, the Assistant Human Resource Clerk calculates the annual contract adjustments with no review or assistance.

Due to this area's nature, complexity, and monetary size, it is difficult for the risk level ever to fall below medium. The Risk level of *Medium* is unchanged.

### **Revenue and Receipts - Risk Score: 65**

When reviewing the District's procedures in this area, we review different methods in which money is received and how it is recorded, the revenue sources, and how money is moved from one account to another. Our review revealed the existence of good overall internal controls, with proper reviews and sign offs.

Although there is a high dollar volume in this area as well, receipts were assessed a *Medium Risk* level due to good overall procedures, and internal controls.

#### Current Assessment

Overall, the District has good internal controls over the receipt of funds and the protection of money. The risks of cash misappropriation are low, due to the minimal amount of cash received. The procedures for revenue receipt, bank reconciliations, transfers, budgeting and reporting are all segregated. This area's risk score is primarily affected by its monetary size and nature and therefore difficult for the risk level to ever reach a low rating. The Risk Level remains at *Medium*.

### **Purchasing and Payables - Risk Score: 61**

Purchasing and Payables is another significant operational area of the District. The District follows New York State purchasing regulations and has an independent Certified Public Accountant serve as its internal claims auditor. We again reviewed the procedures and documentation for purchases of equipment, supplies, employee reimbursements, and contract purchases. We found good overall internal controls and segregation of duties. As with human resources and payroll, this area's rating is affected by its significant dollar value and its susceptibility to fraud. As a result, it is unlikely the area of Purchasing and Payables will ever rate low risk.

#### Significant Internal Control changes made since the last risk assessment report:

*None.*

### **Purchasing and Payables** *(continued)*

#### New and previously reported Observations and Recommendations:

- 1) Observation: The District does not utilize the positive pay feature with its financial institution.  
Recommendation: Positive pay is another widely used feature that adds another layer of security over accounts payable. Because of its design, the bank will only clear checks it is authorized to pay based on the file transmitted by the District. The Positive Pay feature can also be used for payroll checks.
  
- 2) Observation: Upon review of the claims process, we noted two payments (out of 910 claims) that were submitted by Special Education, which were not in accordance with the contract.  
Recommendation: The Special Education Department should cross check vendor invoices to make sure they are in accordance with approved contracts and rates prior to submitting a payment claim.

#### Current Assessment

The processes and procedures in this area have remained unchanged from the last risk assessment. The current procedures and internal controls are well-designed and commonly found in other school districts. As stated in the last risk assessment, the District continues to have good Business Office employee cross-communication, as well as good Board involvement. These are all criteria of a well-established internal control environment. While we feel there is little risk in this area, the risk rating remains at *Medium*.

### **Transportation - Risk Score: 65**

The District has a contract with a third party vendor to provide transportation for District students. This contract relieves the District from handling the scheduling of bus routes, timing, and hiring of drivers. As part of the agreement, the District is responsible for purchasing the fuel during the months September through April. After this period, the fuel is purchased by the Transportation Company. From our understanding, the Transportation Company uses the same bus fleet to transport students of neighboring districts. The District continuously monitors its fuel costs and periodically compares total transportation costs to that of neighboring Districts. Management feels its transportation costs are comparable to other districts.

#### Significant Internal Control changes made since the last risk assessment report:

*None.*

#### New and previously reported Observations and Recommendations:

*None.*

#### Current Assessment

The Business Office and Chappaqua Transportation continue to analyze bus routes for efficiencies. The long standing contract with the vendor is renewed each year providing the price increase is at or below CPI. Management believes its transportation costs are reasonable when compared to neighboring school districts. The risk rating remains at Medium Risk.



### **Benefits - Risk Score: 58**

Due to the low relative dollar volume and the procedures currently in place, benefits was originally assessed a *Medium Risk* rating. The common concern in this area is the possibility of benefits being paid for unauthorized employees or retirees. However, we believe there are controls and procedures in place to mitigate this risk.

#### Significant Internal Control changes made since the last risk assessment report:

- 1) The Health Benefits Supervisor now reconciles the health care invoice to District records.
- 2) The duties for benefit invoicing (retirees) and receiving the payments have been segregated.

#### New and previously reported Observations and Recommendations:

*None.*

#### Current Assessment

Since the last risk assessment review, the Affordable Care Act (ACA) went into effect. The District is working with the Putnam Northern Westchester Consortium, to analyze and determine whether the District is meeting the requirements for health insurance coverage under the law. They are also working in tandem to ensure all required reporting is prepared.

Aside from the ACA law, there were no material changes to the procedures or processes relating to benefits. The most significant event relating to this area was the hiring of a new Assistant Superintendent for Human Resources, as discussed in the Human Resource and Payroll section of this report. We did not note any specific changes or new weaknesses in the procedures over this area as a result of the change.

### **Information Technology - Risk Score: 56**

Information Technology in education environments has basic inherent risks due to the concentration of critical information being in an electronic format and the need to provide for the proper security over this information. We believe that the District's network is well developed and all of its data is secure. Technology must be monitored closely and vigilantly at all times, for the safety of information, as well as the students using computers within the District.

#### Significant Internal Control changes made since the last risk assessment report:

*None.*

#### New and previously reported Observations and Recommendations:

*None.*



### **Information Technology** *(continued)*

#### Current Assessment

During the past school year, the District continued its initiative of providing Chrome Books to students. The procedures in place to protect the District laptops from unauthorized use, theft and damage have remained the same from our last risk assessment. To date, the initiative has worked well with no Chrome Books lost, and only a small percentage experiencing damage (covered under warranty).

Every year the District evolves with technology as needed. Imperative upgrades such as migration to Windows 10 and upgraded firewall are done when necessary. The processes for purchasing and safeguarding physical equipment and information have remained the same.

Due to its nature, it is nearly impossible for the risk level of this area to ever be at a low level. The Risk Level remains at *Medium*.

### **Food Service - Risk Score: 51**

Food service is run by an independent company (Aramark). This alleviates the need for the District to manage this area of operations. The District has an employee responsible for tracking and reporting Free and Reduced Lunch students. Because Aramark handles the majority of the food program, and provides enough documentation of activity for the District to feel comfortable that they are reporting revenues correctly, Food Service was rated at *Medium Risk*.

#### Significant Internal Control changes made since the last risk assessment report:

*None.*

#### New and previously reported Observations and Recommendations:

*None.*

#### Current Assessment

Aramark has its own set of internal controls and procedures, and continues to modify them as needed. The District also implements its own set of procedures to ensure proper accounting of the school lunch program. While we did not note any significant weaknesses, this is an area most susceptible to misappropriations due to its nature. The risk level remains unchanged at *Medium Level*.

### **Student Services - Risk Score: 51**

Extra classroom activities is an area where student funds are handled by many individuals before it is deposited into the club bank account. Although the dollar amount is low, this is an area where the risk of theft is greatest. It should be noted that our review did not find any instances of theft or fraud. This area is rated as *Medium Risk*.

**Student Services** *(continued)*

Significant Internal Control changes made since the last risk assessment report:

-None.

New and previously reported Observations and Recommendations:

-None.

Current Assessment

The District had an intensive review done on this area in 2009. Since that review, certain employees and positions were eliminated or changed and it changed the processes noted at that time. We do not note material weakness as a result of these changes; however it may be beneficial to the District to perform a follow up review of this area in the future. The Risk Level remains at *Medium*.

**Facilities and Operations (including security) - Risk Score: 48**

Maintenance is an important part of keeping the District up and running. The District employs skilled maintenance and custodial workers for the repair and maintenance of the District's buildings and grounds. Although the dollar volume in this area is significant, it typically rates lower than receipts and purchases because the volume of monetary transactions are minimal. We believe that the controls in place reduce risk enough to assess this area a *Low Risk* level.

Significant Internal Control changes made since the last risk assessment report:

*None.*

New and previously reported Observations and Recommendations:

*None.*

Current Assessment

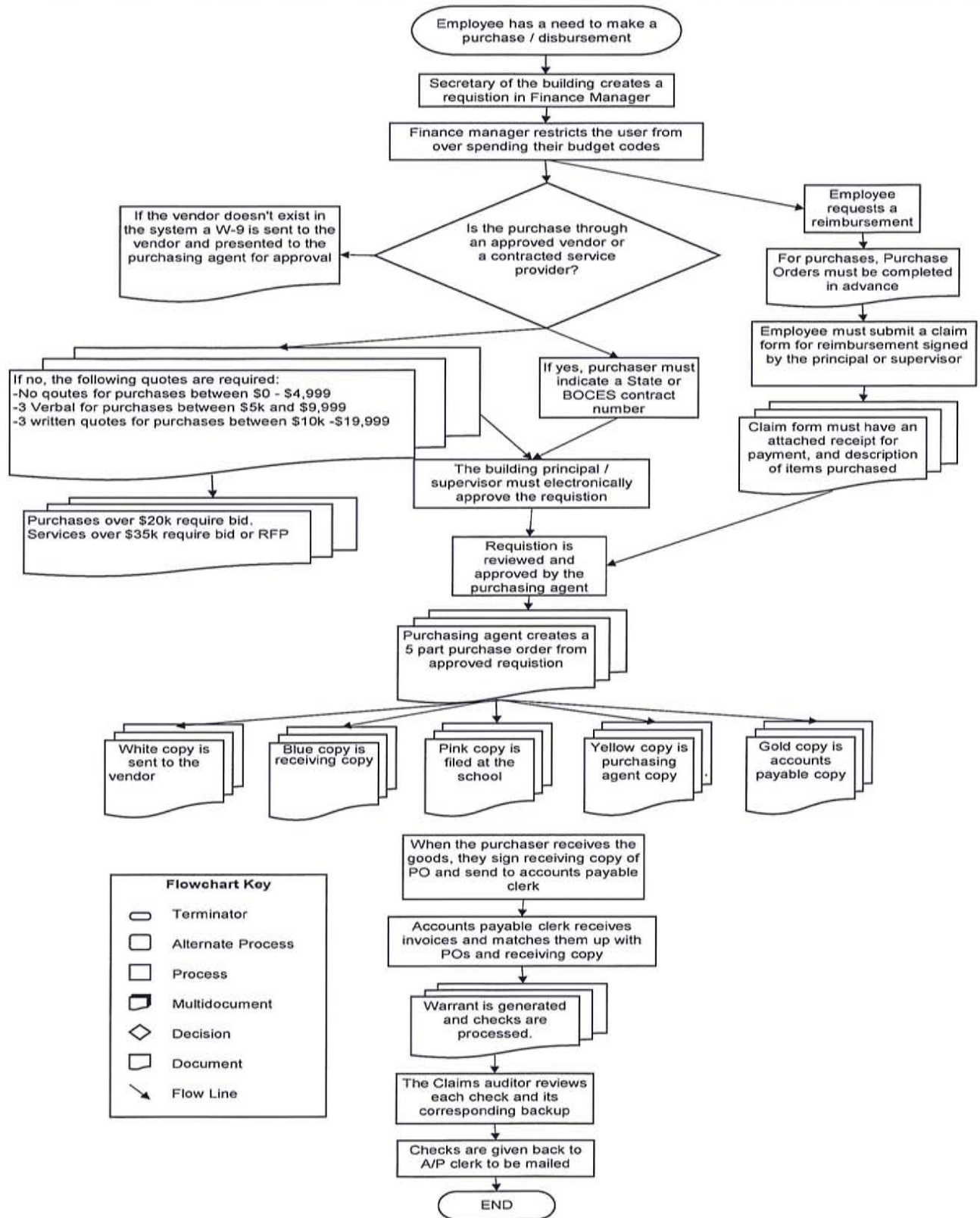
Since the intensive review of this area (June 2014), the District implemented processes to increase its internal controls over certain areas of this operation. During our current overview, we have not noted any significant deficiencies or negative changes since our last risk assessment. The Risk level remains at *Low Risk*.

**Capital Projects- Risk Score: 65**

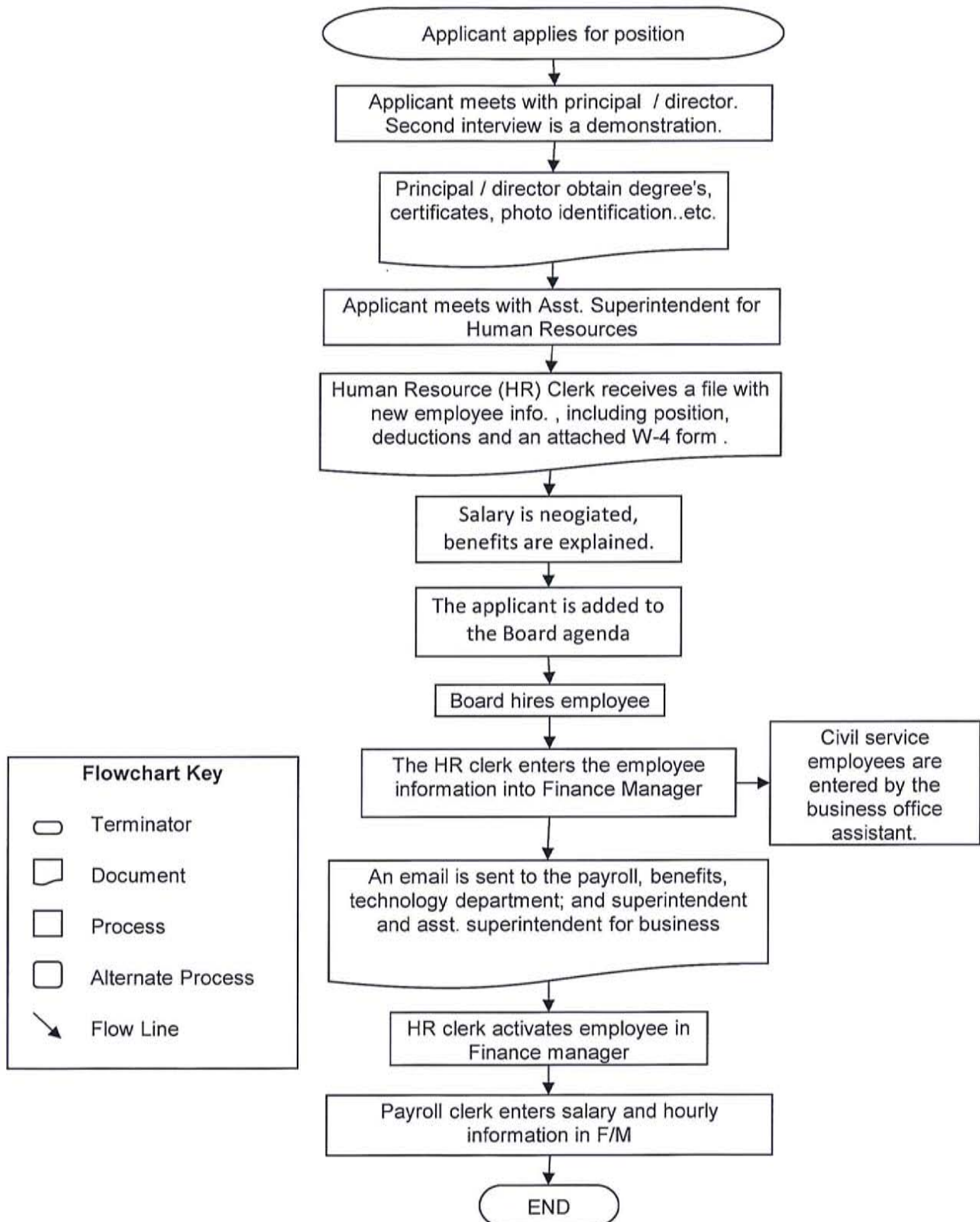
This is an area where the amount of funds expended can be significant. As with accounts payable and payroll this attribute automatically increases the level of risk. The greatest risk in this area would be invoices being paid without proper review and approval. However, the District has procedures in place to minimize their exposure. The District is in the process of various infrastructure improvements as well as field renovations. We believe Capital Projects is a good area for an intensive review.

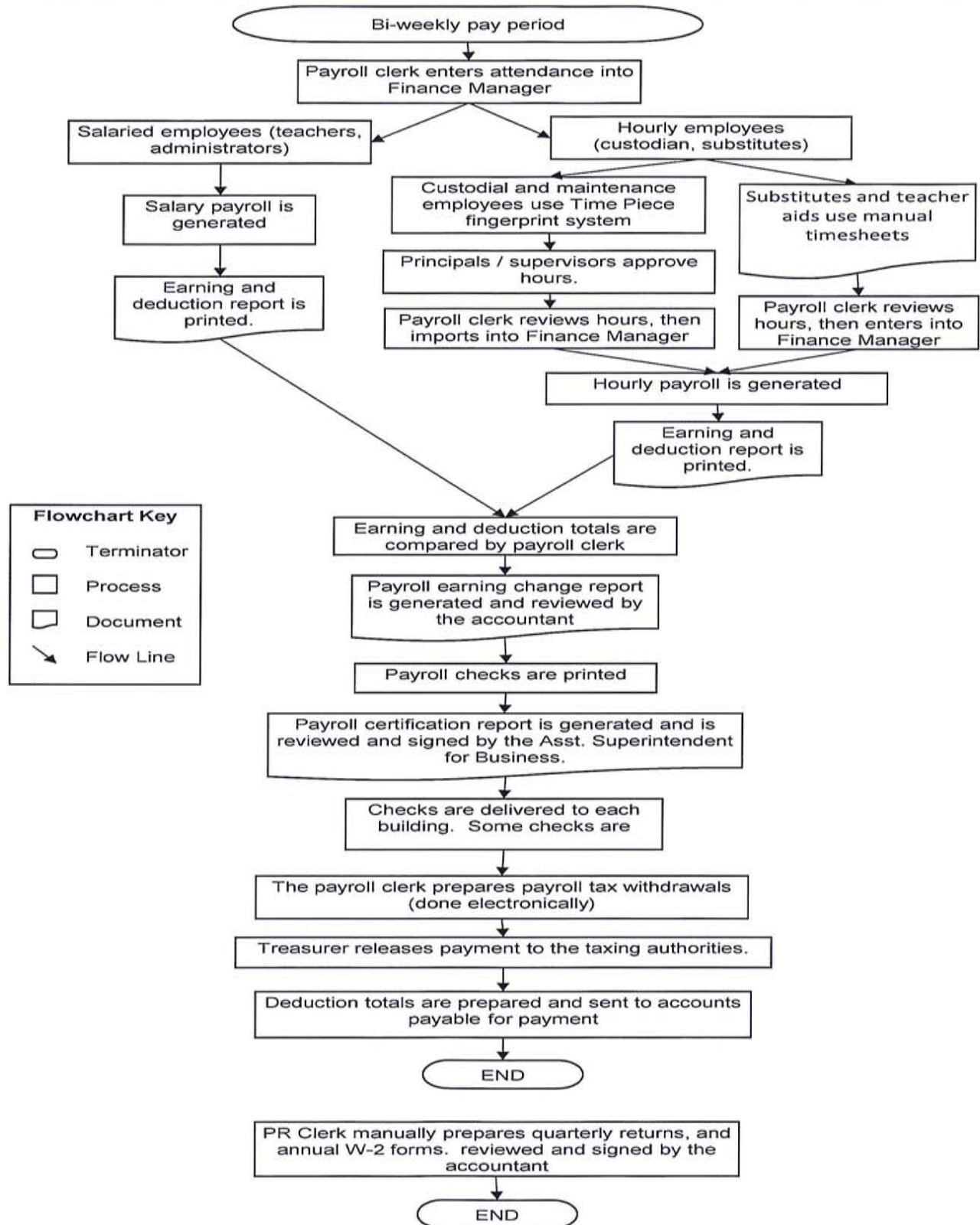


## Flow Chart – Purchasing and Payables









# Chappaqua Central School District

## Flow Chart – Capital Projects

