



*a community for learning*

## **Chappaqua Central School District**

**Updated Risk Assessment Report  
Covering the State mandate for the year ending June 30, 2022**

# Chappaqua Central School District

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**TOBIN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS, PC

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

We have performed an update to our Risk Assessment report 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.

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 30, 2021

Two of the most significant changes since our last Risk Assessment were the appointments of a new Assistant Superintendent for Business and Payroll Clerk (1). Both bring valuable school district experience. Below is a summary of noted internal control improvements and areas for potential improvement:

**Summary of notable improvements to internal controls and procedures:**

- 1) **(Payroll)** The Treasurer projects salary schedules in excel, independent of the Accountant's projections, and a comparison is done to ensure accuracy.
- 2) **(Payroll)** The new Payroll Clerk (1) projects all salaries independent of the Accountant's projections, and a comparison is done to confirm the accuracy of salaries in payroll. The confirmed projections are then compared to the payroll system.
- 3) **(Payroll)** The steps for review of salaries are documented and communicated electronically via email instead of signing a paper document.
- 4) **(Accounts Payable)** The Claims Auditor now signs off on each individual claim packet.
- 5) **(Purchasing)** The District updated its purchasing policy and developed a formal purchase order increase form that must be filled out prior to increasing the purchase order. As the new process is put into action, the District should continue to review its efficiency and effectiveness.
- 6) **(Purchasing)** As an added control, any District purchase over municipal bidding thresholds for supplies (\$20,000) and public works (\$35,000) with use of State or BOCES contracts must now receive an additional approval from the Superintendent.
- 7) **(Purchasing)** The District now uses a bid document check list.
- 8) **(Information Technology)** The District recently began using Carbon Black Endpoint, a cloud-based security solution that provides endpoint focused controls and is designed to detect and prevent malicious files from attacking the District.

**Summary of noted areas for potential improvement (please see the body of the report for prior unresolved observations and recommendations):**

- 1) **(Payroll)** The District recently appointed a new Payroll Clerk (1) and transitioned the part time Payroll Clerk (2) to full time. The District should formally document the Payroll Department's duties and responsibilities. In addition to formalizing their everyday functions, a formal calendar should be developed providing a clear timeline of start dates and deadlines for various payroll functions.
- 2) **(Revenue, Receipts, and Accounting)** Due to the prior elimination of a part time Business Office Clerk, the Treasurer receives, records and deposits checks. In addition to this, the Treasurer has the ability to enter invoices and print checks, and also prepares monthly bank reconciliations. While we suspect no malfeasance, this creates a segregation of duties weakness.
- 3) **(Student Services)** The District should appoint a Student Services Faculty Auditor, as recommended by New York State Education Department's "The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds."
- 4) **(Food Services)** The District should use original Nutrikids point of sale reports to file for reimbursement through New York State's National School Lunch Program.
- 5) **(Fixed Assets)** On a regular basis, the Information Technology Department and Business Office should reconcile its two independent fixed asset inventory databases to ensure accuracy.

# Chappaqua Central School District

## Risk Assessment Overview

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 central administration, mid-level management, and business office employees.
- We evaluated forms and documentation used in 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 reviewed the audit reports from the District's External Auditor and Claims Auditor.

During our engagement we interviewed the following key personnel:

Andrew Lennon, *Assistant Superintendent for Business*

Cathleen Lynch, *District Treasurer*

Michael Trnik, *Purchasing Agent*

Joseph Gramando, *Director of Facilities*

Josh Culwell-Block, *Director of Instructional Technology*

Jackie Petricha Silipigni, *Benefits Assistant*

Tony Sinanis, *Assistant Superintendent for Human Resources*

Alex Djordjevic, *Accountant*

Florentina Casterella, *Payroll Clerk (1)*

Christine Brundage, *Accounts Payable Clerk*

Jonathon Ross, *Claims Auditor*

Angela Nannariello, *Human Resource Assistant*

Paola Conklin, *Personnel Assistant*

Marissa Greenfeld, *Payroll Clerk (2)*

Anne Pantoja, *Food Services Manager*

Seth Corwin, *Transportation Owner*

Mary Marchionno, *Senior Office 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 review history, previous assigned risk score, and the updated risk score and level.

Area of Review	Intensive Review History	Current Risk Score		Previous Risk Score
		Score	Level	
Benefits	6/30/2016 & 2019	77	Medium	77
Payroll	6/30/2012 & 2020	70	Medium	67
Human Resources	6/30/2015	69	Medium	69
Capital Projects	6/30/2017, 2018, 2019, 2021	69	Medium	69
Facilities and Operations	6/30/2014	68	Medium	68
Transportation		65	Medium	65
Purchasing and Payables	6/30/2011, 2021	64	Medium	66
Online Banking and Transfers		64	Medium	65
Revenue, Receipts, & Accounting	6/30/2018	63	Medium	63
Information Technology	6/30/2013	57	Medium	57
Student Activities		54	Medium	53
Food Service		51	Medium	51
Government Aid / Grants		50	Medium	50
Fixed Assets		50	Medium	49
Central Office Roles and Responsibilities*				

\*Recommended for next review

### **Recommendation for Next Review Area:**

Based on our Risk Assessment, as well as recent turnover, the next area recommended for review is the roles and responsibilities of the Central Office staff. This area would encompass various business functions with the goal of clarifying, updating, and documenting the roles and responsibilities of the Central Office staff. In addition, this will assist in identifying potential efficiency improvements and will help ensure proper segregation of duties.

### **Benefits - Risk Score: 77**

The largest potential risks in this area, (and for any District), are providing health benefits for individuals who are no longer eligible, and failure to properly bill the individuals who are required to contribute to their benefits.

#### Previously reported observations and recommendations

- 1) Observation: Billing for benefits is currently being done through Excel.  
Recommendation: As best practice, this process can be automated using the District's accounting software, nVision. NVision also gives the District a more effective means of tracking outstanding amounts owed to the District as well.

#### Current Assessment

While we do note potential areas for improvement, the District continues to maintain effective controls over benefits, and is continuously looking for ways to improve. The Risk Score remains unchanged at 77 with a Risk Level of *Medium*.

### **Payroll - Risk Score: 70**

Payroll is an area in which the high dollar volume in relation to the District's budget (payroll represents greater than 50% of the 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 previous risk assessment report

- 1) The Treasurer projects salary schedules in excel, independent of the Accountant's projections, and a comparison is done to ensure accuracy.
- 2) The new Payroll Clerk (1) calculates/projects all salaries independent of the Accountant's projections, and a comparison is done to confirm the accuracy of salaries in payroll. The confirmed projections are then compared to the payroll system.
- 3) The steps for review of salaries are documented and communicated electronically via email instead of signing a paper document

#### New observation and recommendation

- 1) Observation: The District recently appointed a new Payroll Clerk (1) and transitioned the part time Payroll Clerk (2) to full time.  
Recommendation: The District should formally document the Payroll Department's duties and responsibilities. In addition to formalizing their everyday functions, a formal calendar should be developed providing a clear timeline of start dates and deadlines for various payroll functions.

#### Current Assessment

Due to this area's nature, complexity, and monetary size, it is difficult for the risk level ever to fall below medium. Due to the recent turnover, as well as the findings noted above, we believe that warranted an increase to the Risk Score to 70. However, the level of this area remains at a *Medium Risk*.

**Human Resources - Risk Score: 69**

This area is highly significant not only due to its relationship with Payroll, but also due to the complexity and sensitivity in maintaining relations with employees' representative unions, related contractual obligations, and compliance requirements. As a result, this area can never be given a score lower than *Medium*.

Previously reported observations and recommendations

- 1) 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 is considering taking advantage of this capability to replace the current manual tracking system. Although the pandemic has delayed the implementation of this recommendation, the District is committing to expand its usage of this software as time permits.

Current Assessment

The Risk Score remains the same, and the Risk Level remains at *Medium*.

**Capital Projects- Risk Score: 69**

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. Large capital projects are funded through bonds. During June 2016 voters approved a \$42.5 million bond to finance projects through the 2021 year. The greatest risk in this area would be invoices being paid without proper review. However, the District has procedures in place to minimize their exposure. The District is still in the process of various infrastructure improvements and renovations.

Previously reported observations and recommendations

- 1) Observation: While the District has weekly construction meetings, no financial information is presented for discussion.  
Recommendation: The District should work with its Accountant to develop monthly financial reports that can be used at these construction meetings. This will assist the District in monitoring the budget-to-actual costs at weekly meetings.

Current Assessment

We recently performed an Intensive Review in this area. Please see our report dated February 15, 2021 for a detailed breakdown of our findings. The District is nearing the completion of its \$42.5 million bond. Once completed, the District will have to file its final cost reports with New York State, an important process. The District should continue to work with its Accountant to ensure all the necessary information is organized and available for complete, and timely filing. The Risk Score remains at a *Medium Risk*.

**Facilities and Operations - Risk Score: 68**

Facilities and Operations are 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 facilities. The Director of Facilities oversees the District's buildings, grounds, and facilities maintenance. The Director supervises a staff of approximately 59 employees.

Previously reported observations and recommendations

- 1) Observation: The District recently updated its gas system for Facilities and Transportation. However, the system is not being used to run specialized reports tracking fuel usage.  
Recommendation: The new system has the capability of running specialized reports showing fuel usage. This would be beneficial for the District, as it would help track how often fuel is being used and how efficient District employees are with their usage. In addition, reviewing these reports could also indicate where potential problems may be.

Current Assessment

While we do note findings above, we believe that they did not warrant an increase to the Risk Score. However, the level remains at a *Medium Risk*.

**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 of 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. Management feels its transportation costs are more favorable when compared to other districts.

Current Assessment

We continue to assess Transportation at a Risk Level of *Medium*.

**Purchasing and Payables - Risk Score: 64**

Purchasing and Payables is another significant operational area of the District. The District follows New York State purchasing regulations and has an independent accountant serving as its internal claim's auditor. We 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 previous risk assessment report

- 1) The District updated its purchasing policy and developed a formal purchase order increase form that must be filled out prior to increasing a purchase order. As the new process is put into action, the District should continue to review its efficiency and effectiveness.

# Chappaqua Central School District

## Summary of Reviewed Areas

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

- 2) As an added control, any District purchase over municipal bidding thresholds for supplies (\$20,000) and public works (\$35,000) with use of State or BOCES contracts must now receive an additional approval from the Superintendent.
- 3) The District now uses bid document check lists to help ensure needed documentation is received.
- 4) The Claims Auditor now signs off on each individual claim packet.

### **Current Assessment**

We recently performed an Intensive Review in this area. Please see our report dated February 15, 2021, for a detailed breakdown of our findings. Since the issuance of the report, the District has implemented several of our recommendations. As a result, we decreased the Risk Score to a 64. We continue to assess this area at the *Medium Risk* level.

### **Online Banking and Transfers - Risk Score: 64**

Online banking provides access to the District's accounts. Authorized users can review account balances, view recent transactions, and transfer funds between District accounts as well as external accounts. Positive pay is used to prevent check fraud and unauthorized disbursements. Wire transfers typically involve significant amounts of money, and as such, strong controls must be in place to prevent unauthorized transfers from occurring.

### **Current Assessment**

Online banking has recently become an area of focus for the Office of the New York State Comptroller's school district audits. While it appears that the District has the necessary controls in place, this area may benefit from a future intensive review. This area remains at a Risk Level of *Medium*.

### **Revenue, Receipts, and Accounting - Risk Score: 63**

Revenue is an area that includes the receipt of funds, the movement of these funds within the District, and the maintaining of miscellaneous receivables. The funds the District receives are composed of taxes remitted by the towns of Mt. Pleasant and New Castle. The District also receives funds from state and federal aid, STAR, facility usage, sales tax, and student activities. When reviewing the District's procedures in this area, we reviewed different methods in which money is received, how it is recorded, and the revenue sources. Our review revealed the existence of good overall internal controls, with proper reviews and sign offs.

### **New observation and recommendation**

- 1) **Observation:** Due to the prior elimination of a part time Business Office Clerk, the Treasurer receives, records and deposits checks. In addition to this, the Treasurer has the ability to enter invoices and print checks, and also prepares monthly bank reconciliations. While we suspect no malfeasance, this creates a segregation of duties weakness.  
**Recommendation:** The District should consider reinstating the practice of having an employee other than the Treasurer involved in receiving and processing checks for deposit. In addition, entering invoices (such as Extraclassroom and the Capital Fund) for payment should be done by an individual independent of the Treasurer.

**Revenue, Receipts, and Accounting** (continued)

Previously reported observation and recommendation

- 1) Observation: The District currently has outstanding receivables relating to facility usage. Some of these receivables are related to usage prior to the pandemic. During our review, it was noted that some may have been previously paid but not processed in SchoolDude.  
Recommendation: The District should review its outstanding receivables related to facility usage for both accuracy and to determine their collectability.

Current Assessment

While we do note findings above, we believe that they do not warrant an increase to the Risk Score. As such, the Risk Level remains at *Medium*.

**Information Technology - Risk Score: 57**

Information Technology in education environments have 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 previous risk assessment report

- 1) The District recently began using Carbon Black Endpoint, a cloud-based security solution that provides endpoint focused controls and is designed to detect and prevent malicious files from attacking the District.

Current Assessment

Based on our review, it appears the District has the necessary cyber security controls in place and is continuously looking for ways to improve. We noted several neighboring districts fall victim to malicious attacks, noting the importance to remain vigilant. 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*.

**Student Activities - Risk Score: 54**

Student Activities is an area where student funds are handled by many individuals before being deposited into the club's 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.

New observation and recommendation

- 1) Observation: The District does not currently have a Student Activities Faculty Auditor, as recommended by New York State Education Department's "The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds."  
Recommendation: If feasible, the District should consider adding the position of Faculty Auditor. This position could also review any deposits or payment requests prior to receipt by the District Treasurer. In addition, it could help with any segregation of duties issues as noted below.

**Student Activities** (continued)

Previously reported observation and recommendation

- 1) Observation: Student Activities (Extraclassroom Activities) is accounted for centrally at the District's Business Office. We noted that the District Treasurer maintains effective controls of the area. However, all processes are performed by the Treasurer, including receiving and recording cash receipts, check disbursements, and bank reconciliations. This is a segregation of duties issue. The former part time Accounts Payable Clerk previously handled many of the duties involved, including check disbursement processes. However, since she left, these accounting procedures have all been given to the District Treasurer.  
Recommendation: As part of best practice, the District should segregate duties involved with Student Activities.

Current Assessment

Although modified, Student Activities are scheduled to begin during the current year after prior disruptions due to the pandemic. This area has never been subject to an intensive review by our firm. Once operations begin and stabilize, we believe that this area could benefit from a future review. Although dollar amounts are generally small, the frequent handling of cash makes this area susceptible to fraud. The Risk Level remains at *Medium*.

**Food Service - Risk Score: 51**

Food Service is run by an independent third-party 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 for students. Aramark handles the food program and provides sufficient documentation of activity for the District to feel comfortable that they are reporting revenues correctly.

New observation and recommendation

- 1) Observation: On a monthly basis, Aramark sends the Business Office a spreadsheet showing the number of free and reduced meals served, which is then used to apply for reimbursement through the New York State's National School Lunch Program. However, original documentation from the District's point-of-sale system, Nutrikids, is not provided.  
Recommendation: The District should begin using the original monthly point-of-sale reports to ensure meal count information provided to New York State is accurate.

Current Assessment

Aramark recently named a new Food Service Director; however, she brings with her valuable school district experience. Since the beginning of the pandemic, the Food Service operations is relying on state aid as its primary source of revenue, and as such, it is important to continue to accurately track the number of free and reduced meals served to submit to the New York State for reimbursement.

While we feel that the District has strong controls in place, we continue to score this area at the *Medium Risk* level.

### **Government Aid / Grants - Risk Score: 50**

School districts are entitled to a variety of program aid from the state and federal government. Government aid and grants can account for a significant source of funding for public education. Most state and federal program aid require certain applications and claim forms to be submitted at a determined schedule.

#### **Current Assessment**

This area continues to be rated as *Medium Risk* due to existing controls over government and grant expenditures.

### **Fixed Assets - Risk Score: 50**

This area includes security of equipment, other District assets and inventory controls. The Purchasing Agent oversees the District's fixed assets. The Director helps ensure that facilities are safe, and regulations promote the educational mission of the District as well as monitors the construction and capital improvement projects. This area has been rated a moderate risk with the highest area of risk being the strategic planning impact.

- 1) **Observation:** The Information Technology Department maintains a database of Information Technology related inventory. In addition, Asset Maxx is used District wide to track all fixed assets.

**Recommendation:** On a regular basis, these two databases should be reconciled to ensure accuracy and up-to-date records.

#### **Current Assessment**

We believe the findings above warranted a slight increase to the Risk Score, which increased the Risk level to a *Medium Risk*.