

*a community for learning*

## **Chappaqua Central School District**

**Updated Risk Assessment Report**  
**Covering the State mandate for the year ending June 30, 2019**

# 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 31, 2018

The most significant changes since our last Risk Assessment was employee turnover in the Human Resource and Business Departments. The changes are highlighted below:

- New Assistant Superintendent of Human Resources
- The loss of the part time Accounts Payable Clerk.

Our observations and recommendations are explained in the body of this report.

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

- 1) The District is now performing virtual backups of key data. This is more reliable, secure, and cost efficient than the previous processes involving tape backups.
- 2) The District continues to improve its Information Technology Security by adding several new monitoring systems, including Splunk and Qualys.
- 3) W-9's (documents that request the taxpayer identification number and certification) are now required before any new vendor can be inputted into nVision.
- 4) The District continues to expand the use of their Facilities automation system, SchoolDude. They recently purchased the "Preventive Maintenance Module." This module inventories all District equipment and automatically schedules when servicing needs to be performed. This module could lead to a more cost-efficient operation for the District by better scheduling and extending equipment life.

Summary of *newly* noted areas for potential improvement:

- 1) The District recently transitioned to a new Benefits Assistant. A review of operating procedures should be performed.
- 2) Billing for Benefits is currently being done through Excel. **(Use nVision)**
- 3) The Purchasing Agent should spot check verbal quotes obtained by requisitioners to ensure the District is getting optimal pricing.
- 4) The District does not have a formal policy stating the amount of time a vendor can remain active in the database without any activity. **(Vendor Management)**
- 5) The District recently updated their gas system for Facilities and Transportation. However, the system is not being used to run specialized reports such as tracking fuel usage.
- 6) The District does not utilize My Learning Plan software to its full capabilities. The District is manually tracking credits for teachers. **(Currently in Process)**
- 7) Student Services (Extraclassroom Activities) is accounted for centrally at the District's Business Office by the Treasurer. 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.



# 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 1 Board member, 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 Auditor.
- We reviewed the audit reports from The District's Claims Auditor.
- We reviewed a sample of employees receiving benefits to determine their eligibility.

During our engagement we interviewed the following key personnel:

Christine Ackerman, *Superintendent of Schools*

Warren Messner, *Board President*

John Chow, *Assistant Superintendent for Business*

Blanche Blair, *Assistant Business Manager/District Treasurer*

Michael Trnik, *Purchasing Agent*

Joseph Gramando, *Director of Facilities*

Josh Culwell-Block, *Director of Instructional Technology*

Jackie Silipigni, *Benefits Assistant*

Dr. Tony Sinanis, *Assistant Superintendent for Human Resources*

Alex Djordjevic, *Accountant*

Suzann Schriro, *Payroll Bookkeeper*

Christine Brundage, *Accounts Payable Clerk*

Pam Tole, *Free/Reduced lunch*

Chris Weir, *Claims Auditor*

Paola Conklin, *Human Resource Assistant*

Marissa Greenfeld, *Payroll Clerk*

# 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 Risk Score	<i>Current Risk Score</i>	
		Score	Level
Benefits	58	78	High
Human Resources	69	70	Medium
Payroll	69	69	Medium
Facilities and Operations	65	66	Medium
Capital Projects	65	66	Medium
Transportation	65	65	Medium
Revenue, Receipts and Transfers	65	64	Medium
Purchasing and Payables	63	64	Medium
Information Technology	56	56	Medium
Student Services	51	53	Medium
Food Service	51	51	Medium
Grants	50	50	Medium
Fixed Assets	49	49	Low

Below is the prior four-year history of completed intensive reviews as well as our recommendation for the next area to be reviewed:

Area of Review	Intensive Review History	Next Area
Human Resources	Completed- 6/30/2015	
Benefits	Completed- 6/30/2016	<b>Recommended*</b>
Capital Projects	Completed- 6/30/2017 & 6/30/2018	<b>Recommended*</b>
Revenue and Receipts & Capital Projects Update	Completed- 6/30/2018	

\*We recommend the District select Benefits and Capital Projects as the next areas for review. Although we did an intensive review of Benefits for the year ended June 30, 2016, we believe that the recent turnover warrants an additional review.



### **Benefits - Risk Score: 78**

At the time of our last Risk Assessment, the District was transitioning to a new Benefits Assistant. When transition occurs, there is a high risk of a breakdown of controls with operating procedures and processes. This is especially true with Benefits. Benefits can be very complex and requires a great deal of attention and review.

Due to the turnover and the items noted below, we felt that it warranted an increase in the overall Risk Level. The level is changed to *High*.

#### New and previously reported observations and recommendations:

- 1) Observation: Billing for Benefits is currently being done through Excel.  
Recommendation: As a best practice, this can be automated using the District's accounting software. nVision also gives the District a more effective means of tracking outstanding amounts owed to the District as well.
- 2) Observation: The District recently transitioned to a new Benefits Assistant.  
Recommendation: A detailed review of operating procedures should be performed.

#### Current Assessment

The largest potential risks in this area 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. Because of the recent turnover, as part of the engagement we sampled full time, part time, and retirees to determine if billing was accurate. Please refer to our "Special Review of Employee Health Benefit Billing" report for our findings.

Because of the reasons noted above, we recommend the District consider this area for the next intensive review. The risk level is raised to *High*.

### **Human Resources - Risk Score: 70**

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*.



### **Human Resources** (continued)

#### New and 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.

#### Current Assessment

The District recently named a new Assistant Superintendent for Human Resources. We noted that he is fully committed to improving the efficiency of operations within the District's Human Resource functions. While we did not note significant weaknesses, we did raise the score slightly due to the turnover. However, the Risk Level remains at *Medium*.

### **Payroll - Risk Score: 69**

Payroll is an area in which the high dollar volume in relation to the District budget (payroll represents approximately 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 last risk assessment report:

None.

#### New and previously reported observations and recommendations

None.

#### Current Assessment

There were no significant changes to the procedures or internal controls in this area since our last review. Due to this area's nature, complexity, and monetary size, it is difficult for the risk level ever to fall below medium. The level of this area remains as *Medium Risk*.

### **Facilities and Operations - Risk Score: 66**

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.

#### Significant internal control changes made since the last risk assessment report:

- 1) The District continues to expand its use of SchoolDude. The District recently purchased the "Preventive Maintenance Module." This module inventories all District equipment and automatically schedules when servicing needs to be performed. This module could lead to a more cost-efficient operation for the District by extending equipment life.

### **Facilities and Operations** (continued)

#### New and previously reported observations and recommendations:

- 1) Observation: The District recently updated their 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 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

Our intensive review report for the year ended June 30, 2018 on Revenues and Capital Projects includes additional observations and recommendations relating to Facilities. As a result of our findings we believe it warranted a slight increase in the Risk Score; however, the level remains at a *Medium Risk*.

### **Capital Projects- Risk Score: 66**

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 2020 year. 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. Currently, the District is still in the process of various infrastructure improvements and renovations.

#### Current Assessment

We recently completed an updated review of District's Capital Projects. Please see our reports for the year ended June 30, 2017 and June 30, 2018 for additional observations and recommendations. We note that the District has implemented several of our recommendations where feasible. Capital projects are ongoing within the District and stress that the District continue to monitor carefully. Because of the complexity involved, we raised the score slightly. The Risk level remains at *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. The District continuously monitors its fuel costs and periodically compares total transportation costs to that of neighboring districts. Management feels its transportation costs are more favorable to other districts'.



### **Transportation** (continued)

#### Significant internal control changes made since the last risk assessment report:

None.

#### New and previously reported observations and recommendations:

None.

#### Current Assessment

We noted no significant changes of processes and procedures relating to Transportation. As a result, our score remains unchanged. The risk rating remains at Medium Risk.

### **Revenue, Receipts and Transfers - Risk Score: 64**

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 building 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, the revenue sources, and how money is transferred. Our review revealed the existence of good overall internal controls, with proper reviews and sign offs.

#### Significant internal control changes made since the last risk assessment report:

None.

#### New and previously reported observations and recommendations:

None.

#### Current Assessment

We recently performed an intensive review of this area during the year ended June 30, 2018. Our report gives additional observations and provides recommendations. During our interviews we noted that the District has begun implementing some of these recommendations. This area's risk score is primarily affected by its monetary size and nature making it difficult for the risk level to ever reach a low rating. We decreased the score slightly; however, the Risk Level remains at *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 Certified Public 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 last risk assessment report:

- 1) W-9's (documents that request the taxpayer identification number and certification) are now required before any new vendor can be inputted into nVision.

#### New and previously reported observations and recommendations:

- 1) Observation: Requisitioners are obtaining verbal quotes which the Purchasing Agent does not always receive.  
Recommendation: The Purchasing Agent should spot check verbal quotes obtained by requisitioners to ensure the District is getting optimal pricing.

#### Current Assessment

Strong controls are necessary in this area to prevent theft or loss. While we feel the control environment is already strong, implementation of our recommendations would help to reinforce those existing controls. The score is raised slightly, but we continue to score this area at the *Medium Risk* level.

### **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:

- 1) The District is now performing virtual backups of key data. This is more reliable, secure, and cost efficient than the previous processes involving tape backups.
- 2) The District continues to improve its Information Technology security. They recently added several new monitoring systems including Splunk and Qualys.

#### New and previously reported observations and recommendations:

None.



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

#### Current Assessment

Every year, the District's technology evolves as needed. We noted strong controls over the District's information technology. The District has several safeguards in place to guard against loss of data, and therefore we do not feel the District is at risk of loss. Security over information seems to be solid and should protect against unauthorized use.

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 Services - Risk Score: 53**

Extra Classroom 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.

#### Significant internal control changes made since the last risk assessment report:

*None*

#### New and previously reported observations and recommendations:

- 1) Observation: Student Services (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 used to handle 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 Extraclassroom Activities. We note that the District is in the process of searching for a replacement for the former part time Accounts Payable Clerk.

#### Current Assessment

Although the dollar amount is low, this is an area where the risk of theft is greatest. Because of the upcoming changes, we feel as though this is a good time for the District to perform an intensive review of this area. This could help identify potential problems that could arise and provide solutions which could assist the District during their transition phase. The Risk Level is raised slightly but 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 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.

#### Significant internal control changes made since the last risk assessment report:

None.

#### New and previously reported observations and recommendations:

None

#### Current Assessment

We noted no significant changes in the controls and procedures for the District's Food Service. The District just renewed a five-year contract with Aramark. We found the internal controls and procedures for Food Service to be similar to other school districts. They are sufficient enough to identify or deter misappropriation of assets. While we did not note any significant weaknesses, this is an area susceptible to misappropriations due to its nature. The Risk Level remains unchanged at *Medium 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. This area has a medium risk rating.

#### New and previously reported observations and recommendations:

None.

#### Current Assessment

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

### **Fixed Assets - Risk Score: 49**

This area includes security of equipment, other District assets and inventory controls. The Director of Facilities and Operations is in charge of 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.

#### Significant internal control changes made since the last risk assessment report:

None.

#### New and previously reported observations and recommendations:

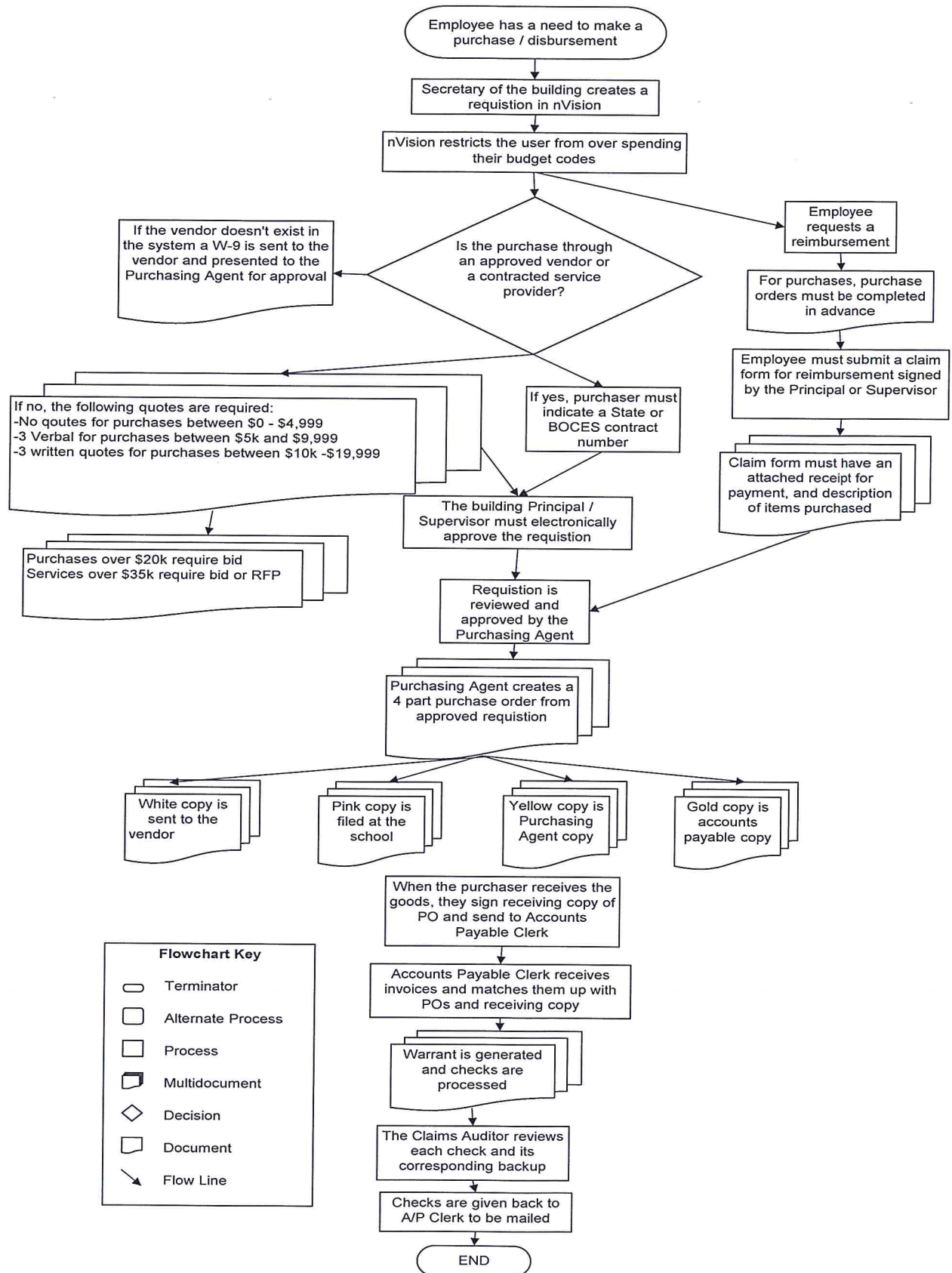
None.

#### Current Assessment

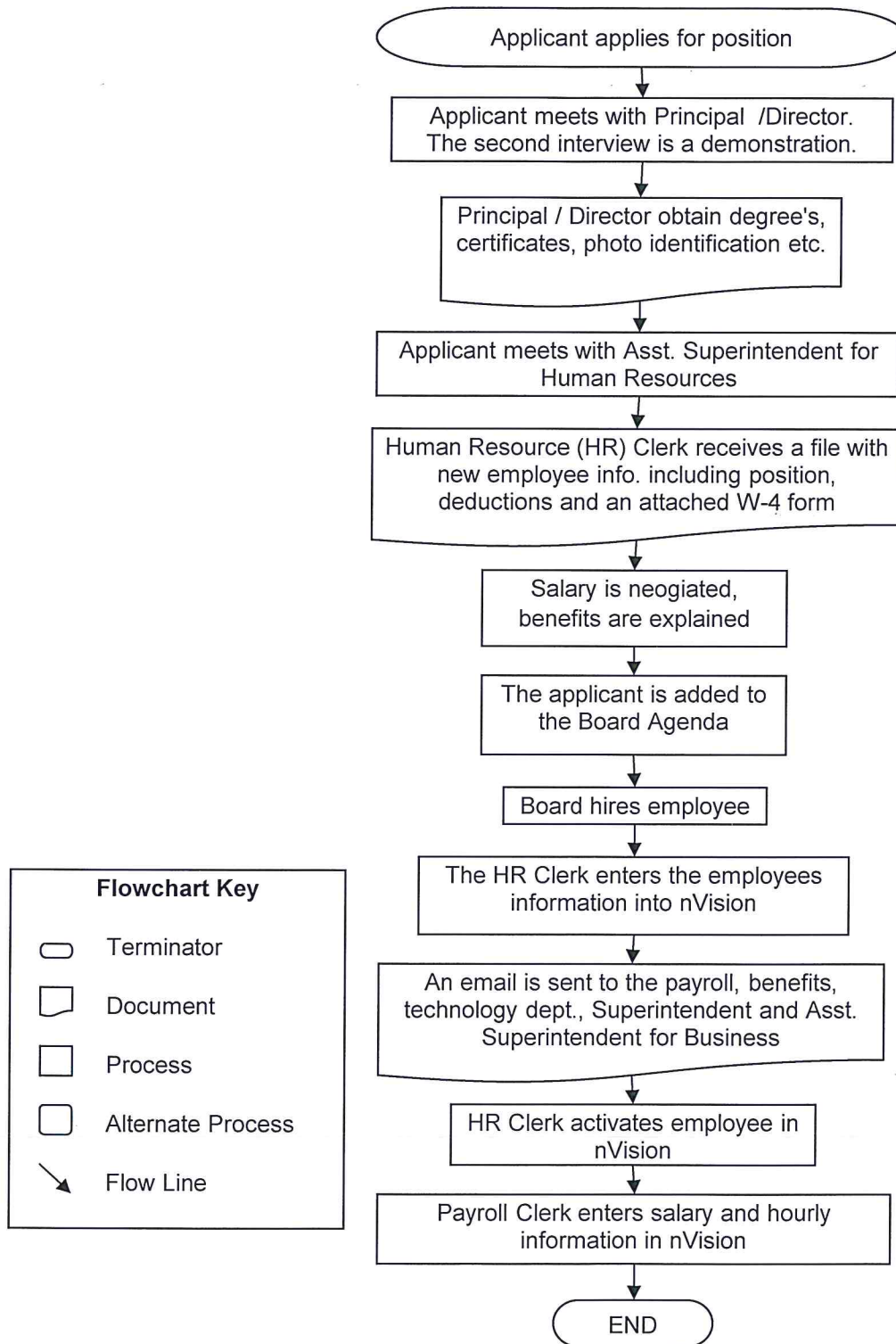
As noted in our Facility and Operations section, the District recently inventoried all equipment. With the use of SchoolDude's Preventive Maintenance Module, the District now has the capabilities to monitor and track their equipment's performance. This module could lead to a more cost-efficient operation for the District by extending equipment life. This area continues to be rated as *Low Risk* due to existing controls over Fixed Assets.

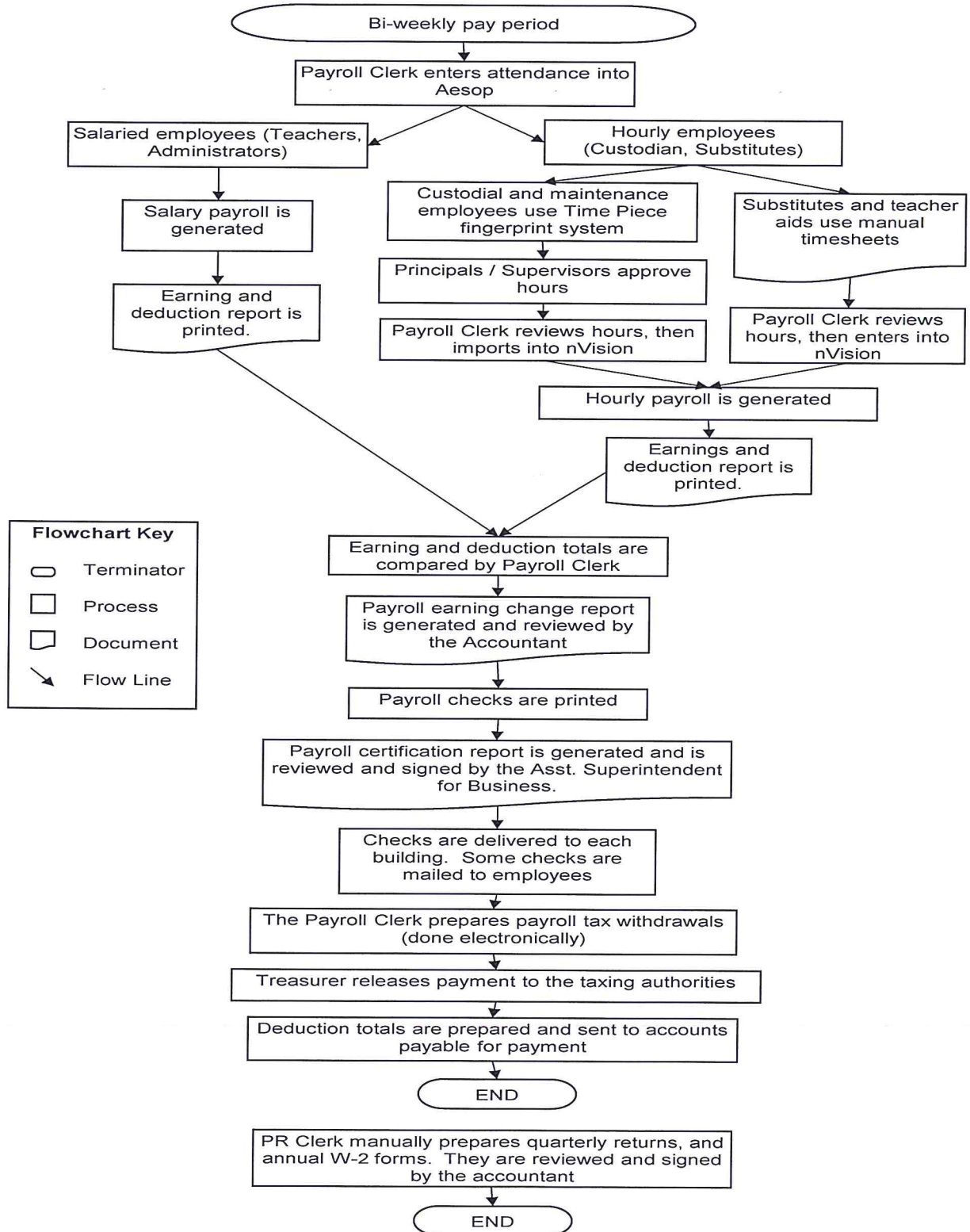


## Flow Chart – Purchasing and Payable









# Chappaqua Central School District

## Flow Chart – Capital Projects

