



Chappaqua Central School District Internal Controls Over Selected Financial Activities

Report of Examination

Period Covered:

July 1, 2006 — October 31, 2007

2008M-3



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 2008

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Chappaqua Central School District, entitled *Internal Controls Over Selected Financial Activities*. This audit was conducted pursuant to Article V, Section 1 of the State Constitution, and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Chappaqua Central School District (District) is governed by the Board of Education (Board) which comprises five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board. The purchasing agent is responsible for procuring all goods and services in compliance with General Municipal Law and District policy. The Director of Special Education and Related Services (Director) is responsible for overseeing all special educational services provided to District students. The Board appointed a claims auditor to examine and approve all claims for payment.

For the 2006-07 fiscal year, the District's general fund expenditures totaled approximately \$97 million. During the same period, the District paid approximately \$11 million for special educational services provided to District students. For the safety of the students, the law requires fingerprint-supported criminal background checks of employees and contractors who are in direct contact with students.

Scope and Objective

The objective of our audit was to examine internal controls over selected financial activities for the period July 1, 2006 to October 31, 2007. Our audit addressed the following related questions:

- Are internal controls over purchasing appropriately designed and operating effectively to safeguard District assets?
- Are internal controls over payments for special educational services appropriately designed and operating effectively to safeguard District assets?
- Are internal controls over the performance of criminal background checks appropriately designed and operating effectively to safeguard the District's students?

Audit Results

The District did not always adhere to the requirements of General Municipal Law (Law) or its own purchasing policies, which require the use of competitive bidding for purchases in excess of \$10,000 and public works contracts in excess of \$20,000. The District did not use competitive bidding when it made purchases of approximately \$455,000 from 11 vendors, including approximately \$117,000 for compressor equipment, \$101,000 for phone service, and \$31,000 for tent rentals. Additionally, the District did not have adequate policies and procedures, as required by the Law, for procuring

professional services which are exempt from bid requirements. The District paid approximately \$419,000 for professional services (including \$155,000 for security monitoring, \$120,000 for driving instruction, and \$118,000 for legal services) without the benefit of competitive quotes or requests for proposals (RFPs). We also found that the District did not have written Board-approved agreements with nine special educational services contractors who were paid \$348,000 for physical therapy, speech therapy, and psychiatric evaluation services. Without proper adherence to the Law and established policies and procedures, and without Board-approved contracts with its providers of professional services, District officials cannot be sure that it has obtained goods and services of suitable quality, at the lowest price, and in the best interest of District taxpayers.

In addition, the Board did not ensure that the claims auditor thoroughly audited contractors' claims for special educational services before approving them for payment, and the Director did not obtain sufficient documentation to verify the work hours claimed by the providers of special educational services. One contractor who was paid \$194,000 for physical therapy services claimed hours in excess of her scheduled work hours, and travel, meal, and break time to which she was not entitled. Three contractors received a total of over \$5,800 in improper compensation because of duplicate invoicing, erroneous rates, or claims for items not covered by contract. Claims from 17 providers totaling approximately \$229,000 did not have hours of service itemized as required. When claims are not properly audited before payment, there is an increased risk that District students may not receive appropriate services and that the District may be paying for services it does not receive.

Lastly, District officials did not perform fingerprint-supported criminal background checks on 26 independent contractors who had direct contact with students¹ and file them with the New York State Education Department, as required by law. Without proper background checks the District is in violation of Education Law and is potentially placing its students' welfare at risk.

Comments of District Officials

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they have initiated or planned to initiate corrective action. OSC comments on the District's response can be found in Appendix B.

¹ As of March 2008, District officials had begun obtaining the required background checks and had completed and filed such checks for 17 of the 26 independent contractors referenced.

Introduction

Background

The Chappaqua Central School District (District) is located in parts of the Towns of New Castle and Mount Pleasant, Westchester County. The District is governed by the Board of Education (Board) which comprises five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board. The purchasing agent is responsible for procuring all goods and service in compliance with General Municipal Law and District policy. The Director of Special Education and Related Services (Director) is responsible for overseeing all special educational services provided to District students. The Board appointed a claims auditor to examine and approve all claims for payment.

There are six schools in operation within the District, with approximately 4,300 students and 750 employees. The District's budgeted expenditures for the 2006-07 and 2007-08 fiscal years are approximately \$97 million and \$102 million, respectively, funded primarily with State aid, real property taxes, and grants.

The District's special education expenditures were \$10.97 million for the fiscal year 2006-07 and are budgeted for \$10.52 million for the 2007-08 fiscal year. For the safety of the students, the law requires fingerprint-supported criminal background checks of employees and contractors who are in direct contact with students.

Objective

The objective of our audit was to examine internal controls over selected financial activities. Our audit addressed the following related questions:

- Are internal controls over purchasing appropriately designed and operating effectively to safeguard District assets?
- Are internal controls over payments for special educational services appropriately designed and operating effectively to safeguard District assets?
- Are internal controls over the performance of criminal background checks appropriately designed and operating effectively to safeguard the District's students?

**Scope and
Methodology**

We examined internal controls of the Chappaqua Central School District for the period July 1, 2006 to October 31, 2007.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report.

**Comments of District
Officials and Corrective
Action**

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they have initiated or planned to initiate corrective action. OSC comments on the District's response can be found in Appendix B.

Purchasing

Effective internal controls over purchasing include policies and procedures to provide an organization with reasonable assurance that it is using its resources effectively and complying with applicable laws and regulations. District officials are responsible for designing internal controls that help safeguard assets and ensure the prudent and economical use of moneys when procuring goods and services. The objective of a procurement process is to obtain the best quality of goods and services at the lowest possible price in compliance with District policy and legal requirements. This helps ensure that taxpayer dollars are expended in the most effective manner.

General Municipal Law (Law) requires school districts to solicit competitive bids for purchases in excess of \$10,000 and public works contracts in excess of \$20,000. Contracts for professional services do not have to be competitively bid. However, the Law requires that school districts adopt written policies and procedures for the procurement of goods and services that are not subject to the competitive bidding requirements. These policies and procedures should describe procurement methods, explain when to use each method, and require adequate documentation of procurement decisions, including written agreements.

We found that District officials did not always adhere to the bidding requirements set forth by Law. Additionally, the Board has not adopted clear and comprehensive policies and procedures, as required by Law, for the procurement of goods and services that are not subject to bidding requirements. The District did not use requests for proposals (RFPs) or solicit competitive quotes when it procured goods and services exceeding a total of \$870,000 from 16 vendors. Further, the Director did not ensure that the District had written agreements with all of its independent contractors providing special educational services. By procuring professional services without the benefit of a competitive bidding process and written agreements, District officials do not have assurance that they obtained goods and services of suitable quality at the best price.

Competitive Bidding

The District's purchasing policy includes the bidding requirements contained in the Law, and also specifies that the District cannot avoid competitive bidding by signing a series of separate contracts for the same item, each for less than \$10,000 for purchases or \$20,000 for public works contracts.

The District did not always adhere to Law or its own purchasing policies, making purchases in excess of the bidding thresholds without the benefit of a bidding process. We tested a total of approximately \$587,000 in payments made to 18 vendors and found that District officials did not use competitive bidding for purchases of approximately \$455,000 from 11 of the 18 vendors. These included the following purchases that exceeded the bidding thresholds, but were paid in installments that were below the bidding thresholds:

- Approximately \$117,000 was paid to a vendor for compressor replacement and installation in 22 payments ranging from \$330 to \$16,000. This procurement was subject to the \$20,000 bidding threshold.
- Approximately \$101,000 was paid to a vendor for a phone service lease in 31 payments ranging from \$2,624 to \$6,065. This purchase was subject to the \$10,000 bidding threshold.

Additionally, the District paid approximately \$31,000 to a vendor for tent rentals for graduation ceremonies, in two payments of \$15,608. This purchase was subject to the \$10,000 bidding threshold.

Awarding contracts without the benefit of a public bid process, competitive quotes, or RFPs for goods or services that exceed bidding thresholds violates State law and the District's own policies and procedures. As a result, District officials cannot be sure of obtaining goods and services of suitable quality at the lowest price.

Requests for Proposals

The Law requires the Board to adopt written policies and procedures for the procurement of goods and services that are not subject to competitive bidding requirements. Such policies and procedures should describe procurement methods, explain when to use each method, and require adequate documentation of procurement decisions.

The Board has not adopted a policy, as required by Law, that adequately addresses procurements of professional services, which are not subject to competitive bidding. The District's current policy regarding professional services is vague, stating simply that RFPs shall be issued as deemed appropriate by the Board, and that all hiring of professional service providers shall be consistent with the provisions of the Law.

We tested nine of the District's 29 professional service providers (excluding special education contractors), and determined that the District paid approximately \$419,000 to five providers without

the use of RFPs or competitive quotes. These payments included approximately \$155,000 for security monitoring, \$120,000 for driving instruction, and \$118,000 for legal services. In the absence of comprehensive District policies and procedures for procuring professional services, District officials cannot be sure that they obtained these services in the most economical manner and in the best interest of District taxpayers.

Written Contracts

Written agreements for professional services provide the District, along with the party furnishing services, with a clearly defined and mutually agreed-upon basis for entitlement to compensation. Written agreements should include the timeframe and description of services to be provided, and may be used to verify that the fees charged are in accordance with Board resolutions. Claims submitted by professional service providers should be properly itemized and compared to contract provisions before being paid. Written agreements help to protect the District in the event that contractors default on their obligations or make excessive claims.

District officials did not consistently comply with Board policy and obtain written contractual agreements with professional service providers. The District paid nine of its 29 special education providers approximately \$348,000 without the benefit of a written contract. These payments comprised the following approximate totals:

- \$190,000 for speech therapy, physical therapy, and psychiatric evaluation services provided by an organization
- \$120,000 for physical therapy services provided by an individual
- \$11,000 for physical therapy services provided by an organization
- \$10,000 for psychiatric evaluations provided by two individuals
- \$7,000 for speech therapy services provided by an individual
- \$10,000 to various individual providers of speech therapy, physical therapy, and psychiatric evaluation services.

By not having written agreements or valid contracts in place and approved by the Board, District officials cannot be certain that the District is properly paying for the agreed-upon services, that the services are delivered in accordance with District requirements, and that the services obtained are of suitable quality at the lowest price.

Recommendations

1. District officials should provide proper oversight and ensure that the purchasing agent implements the District's purchasing policy, including compliance with legal bidding thresholds.
2. The Board should amend its purchasing policy to adequately address procurements of professional services, which are not subject to competitive bidding.
3. District officials should ensure that the District has written, signed agreements in place with professional service providers that clearly define the amount of compensation, the type of services, and the duration of the work to be performed.

Audit of Special Education Claims

School districts are required to provide all children with disabilities with an appropriate public education in the least restrictive environment, and to develop a written individualized education program (IEP) based on the unique needs of each student that clearly states what specialized instructional services the child will receive. The Director is responsible for overseeing all special educational services provided to District students. Accordingly, the Director's job duties include monitoring and documenting the services provided, and reviewing the providers' claims to confirm that the services were properly provided. The Director signs off on the claims to indicate authorization for payment and forwards them to the Business Office for preparation of the warrants of claims awaiting payment.

Education Law requires all claims, with few exceptions, to be itemized and audited before payment can be made. If the Board appoints a claims auditor, that individual assumes the Board's powers and responsibilities to audit and approve each claim. The claims auditor is responsible for determining whether each claim is properly authorized, accurate, and in compliance with contractual agreements; whether it represents a valid District expense; and whether the goods or services were actually received. The Board has designated a claims auditor. This individual is responsible for reviewing and approving for payment the claims warrants prepared by Business Office personnel, including the claims for special educational services authorized by the Director.

During our audit period, 29 independent contractors (contractors), including seven organizations, were hired to provide special education services to approximately 570 students. These included services from speech and language therapists, physical therapists, audiologists, behavioral analysts, and psychological evaluators. The District spent approximately \$10.97 million in the 2006-07 fiscal year for special education and budgeted approximately \$10.52 million for the 2007-08 fiscal year. The District's agreements with its contractors require the contractors to submit their invoices on a monthly basis, including detailed information about the actual hours worked and any other information necessary for payment. The agreements also state that the District will verify that the services billed were actually rendered to District students.

We tested 298 claims from the 29 contractors who provided special educational services, totaling approximately \$916,000, and found

they were not always submitted in accordance with the District's agreements. The deficiencies included the following:

- A total of 120 claims totaling approximately \$229,000 did not have hours of service itemized as required.
- Contractors submitted 30 claims to the District several months after service was provided instead of within the 30 days as stipulated in the agreement. For example, claims for services performed in December 2006 were submitted in March 2007, and claims for services performed in February 2007 were submitted for payment in June 2007.
- One contractor submitted the same invoice for \$330 twice and was paid both times for the same service.²
- One contractor charged more than the agreed-upon hourly rate, and as a result the District paid an extra \$537.²
- One contractor submitted a claim of \$5,025 for time spent on electronic mail (e-mail) correspondence, which the District paid even though payment for time spent on e-mail correspondence was not a provision of the District's agreement with this contractor.

Additionally, the District paid approximately \$194,000 to a contractor to provide physical therapy services to students. The contractor claimed an average of 38 hours per week at an hourly rate of \$92.50, but records indicate that this contractor was scheduled to work with students for only about 18.5 hours per week. Although the contractor's agreement required her to perform evaluations and screenings, attend Community of Special Education (CSE) meetings, and meet with parents in addition to direct therapy with students, neither the contractor nor the District maintained properly itemized records to verify the actual hours worked. The contractor traveled between schools during the day and charged the District for her travel time, in addition to lunch and break time, to which she was not entitled. Because of insufficient documentation District officials are not able to determine the amount of time required for these additional activities.

District officials did not ensure that the claims auditor properly reviewed special educational services claims, as required by Education Law. The claims auditor relied on the Director's expert validation of the special educational services claims without verifying that they had

² Subsequent to our fieldwork the District was reimbursed for these amounts.

adequate supporting documentation, that they complied with District agreements, and that they were not submitted in error. Additionally, the Director did not ensure that the special educational services were properly documented or conduct a thorough review before authorizing the claims as valid. Without a proper and thorough audit of claims, the District does not have adequate assurance that payments for special education services are appropriate. As a result, the District paid for specialized educational services based on improper claims, and District officials do not have adequate assurance that the District's students are receiving specialized educational services that the District intended them to have.

Recommendation

4. The claims auditor should ensure that all claims submitted for special educational services are valid District expenditures. All claims should include adequate documentation of the work performed and be subject to a proper audit and approval prior to payment.

Criminal Background Checks

To protect the safety and well-being of students, New York State Education Law requires that all employees and independent contractors who have direct contact, or are reasonably expected to provide services that involve direct contact, with students under the age of 21 must have criminal background checks including fingerprinting. These fingerprint-supported background criminal history checks are required to be filed with the New York State Education Department's Office of School Personnel Review and Accountability (OSPRA). If an individual is arrested subsequent to providing fingerprints to OSPRA, notice of the arrest will be made to OSPRA by the New York State Division of Criminal Justice Services (DCJS). OSPRA then notifies the school district of the name of the arresting agency, the date of arrest, and the court jurisdiction.

The District does not have a procedure in place to ensure that background checks are performed and filed with OSPRA for independent contractors who have direct contact with students. We tested 49 individuals providing contractual services to the District³ who had direct contact with students: 41 who worked with students receiving special educational services, and eight driving instructors. The District had not performed the required criminal background checks on 26 of these individuals – the eight driving instructors (six who instructed students in vehicles off school grounds and two who were classroom lecturers) and 18 of the special education contractors, who were in direct contact with the students for services such as speech and language therapy.

Because District officials did not comply with the Education Law and obtain the required background checks for independent contractors who are in direct contact with students, they may have placed the welfare of District students at risk.

After we brought the lack of background checks and fingerprinting to the District's attention, District officials began obtaining the necessary background and fingerprinting clearances on the 26 contractors and filing them with the OSPRA as required by Education Law. As of March 4, 2008, District officials had obtained fingerprints and background checks for the eight driving instructors and nine of the special education contractors and filed them with OSPRA.

³ These 49 individuals were either independent contractors themselves, or employees of the independent contractor organizations providing services to the District.

Recommendations

5. District officials should develop a procedure to ensure that required background checks are conducted.
6. District officials should monitor compliance with Education Law and continue to obtain criminal background checks on independent contractors.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.

CHAPPAQUA CENTRAL SCHOOL DISTRICT

P.O. BOX 21 • CHAPPAQUA, NEW YORK 10514 • (914) 238-7200

March 17, 2008

[REDACTED]
Newburgh Regional Office
Office of the State Comptroller
State of New York
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Dear [REDACTED]

The Chappaqua Central School District has received the Draft Report of Examination (the "Report") by the Office of the State Comptroller for the audit period of sixteen months, from July 1, 2006 through October 31, 2007. We appreciate the professionalism and thoroughness of your field auditors who worked with us commencing in November 2007 for this audit that is part of the Comptroller's state-wide initiative.

As a school district, Chappaqua works on a model of continuous improvement. We recognize the value of the Comptroller's comprehensive auditing process to assess the relevant policies and practice of internal controls in the District. We are pleased that the Comptroller's Office found no internal control deficiencies with payroll and personnel services, capital assets and consumable inventories, cash receipts and disbursements, or information technology systems. We note that the Comptroller's Report is not intended to provide a comprehensive picture of a school district's financial position or its financial controls. Rather the Report is intended to identify areas for improvement only.

The Report identified three areas for improvement within the District's internal controls - Purchasing, Special Education Claims, and Criminal Background Checks. The Report contains a total of six recommendations, all of which we accept. In this response letter, we wish to provide further clarification of the issues raised and describe the corrective actions that have already been taken and those which will be completed shortly to ensure compliance with the recommendations made.

Page 1 of 6

Purchasing – Pages 8 to 10

The District accepts the three recommendations made in the Report in the area of purchasing. Since the audit, the District has made the following changes:

1. The Assistant Superintendent for Business is working closely with the Purchasing Agent to ensure all purchases are in compliance with the General Municipal Law and District policy and regulations on purchasing.
2. The Board is amending its purchasing policy to specify the frequency and dollar thresholds for procuring professional services. The District also amended and adopted the purchasing regulation in January 2008 and a copy was given to the auditors at the exit interview.
3. The “no contract” issue was corrected while the auditors were on site during November and December of 2007. All nine special education service providers who were issuing invoices without a written contract have signed one. For the 2008-09 school year, the District plans to convert the physical therapy service consulting time to an employee position due to a change in demand for this service, thereby eliminating this contractual need.

The District offers the following additional information to clarify the specific issues raised by the auditors:

Competitive Bidding:

Approximately \$117,000 was paid to a vendor for compressor replacement:

This amount represents the total payment for 22 separate services performed at all six district schools during a period of 16 months (July 1, 2006 through October 31, 2007). When a school building needed a compressor replacement or repair, the head custodian at that school called the vendor directly to perform the time sensitive work. In each instance, the service was below the \$20,000 bidding threshold. However, the total amount surpassed the bidding threshold. To ensure compliance with bid law requirements, the District will solicit bids for this service from a single vendor on a yearly basis.

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Approximately \$101,000 was paid to a vendor for phone service lease:
The District has been leasing phone equipment from this vendor. The District continues to lease phones from this vendor to ensure compatibility of equipment and to avoid disruption. Having a new vendor or a patchwork approach where different vendors add on to an existing system would likely result in inconsistent services and diminished value. In light of the recommendation, the District will evaluate the feasibility of soliciting bids for this equipment lease, considering the need for standardization and the requisites of Section 103 of the General Municipal Law.

The District paid approximately \$31,000 to a vendor for tent rentals for graduation ceremonies:
The District used the most reputable vendor in this geographic area for its high school graduation tent rental. Neighboring districts also use this vendor. The need for reliability has been the determining factor in the selection of a vendor for rental equipment for this important community event. In recognition of bid law requirements, the District will solicit bids for this service and has placed a legal notice in the March 7, 2008 newspaper for the June 2008 graduation.

Request for Proposals:

Approximately \$155,000 was paid for security monitoring:
In 1997, the District signed a security monitoring agreement with a vendor and has since been using this vendor's hardware and software for security purposes. The District views security monitoring to fall within professional services that would be exempt from the bid law requirements of Section 103 of the General Municipal Law, as described in Opinions of the State Comptroller and the decisional law of New York's courts. The District is concerned that the safety of students and security of equipment may be compromised in the process of changing vendors. However, in light of the recommendation, the District will evaluate the feasibility and cost effectiveness of soliciting bids for hardware, software and personnel monitoring services from vendors on a competitive basis.

Approximately \$120,000 was paid for driving instruction:
This service was not competitively bid because it is considered a pass-through service by the District. The District has a contract with a vendor to provide driving instruction to its high school students and all costs are passed on to the participating students. On the books, the District

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records the expenditures as well as the revenues in its budget. The auditors pointed out that through the bidding process, the District might be able to lower the costs for students. The District has placed a legal notice in the March 12, 2008 newspaper to solicit bids.

Approximately \$118,000 was paid for legal services:

As we discussed at our exit interview, the Board of Education interviewed three prominent law firms in the field of education law, including the District's counsel at the time Shaw, Perelson, May & Lambert, LLP, during the fall of 2002. Following these interviews, in December 2002, the Board decided to continue to retain the services of Shaw, Perelson, May & Lambert LLP. Since neither General Municipal Law nor current Board policy specifies how frequently proposals for professional services must be solicited, the Board does not believe it is out of compliance in this area. However, in light of the recommendation, the Board will amend its Purchasing Policy to specify procedures for securing professional services. In addition, the District will seek Requests for Proposals for legal services during the 2008-09 school year.

Audit of Special Education Claims – Pages 11 and 12

The District accepts the recommendation to improve the documentation and approval process of Special Education Services claims. Since the audit, the District has implemented the following:

1. The claim form used by Special Education Services providers now includes a column for the specific hours of service.
2. The two errors in claims processing totaling \$867 have been corrected and the full amount reclaimed.

The District offers the following additional information to clarify the specific issues raised by the auditors:

A total of 120 claims totaling \$229,189 did not have hours of service itemized as required:

The Director of Special Education Services has reviewed all 120 claims mentioned above and determined that in all cases services were rendered to the satisfaction of the District. Prior to the audit, some special education service providers indicated only the total hours for each day on the claim form (for example, 2 hours on Day X). The

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District has since reformatted its claim form to include a column for contractors to indicate the specific hours of service (for example, 9 a.m. to 11 a.m. on Day X).

Contractors submitted 30 claims to the District several months after service was provided instead of within 30 days as stipulated in the agreement:

A review of the agreement the District has with its service providers shows that the agreement only stipulates that the District must pay the claims within 30 days after the claims were received and approved. The contract does not require the submission of claims within 30 days after service was provided. The District does, however, encourage its contractors to submit claims as soon as possible and will continue in its efforts.

See
Note 1
Page 25

One contractor submitted the same invoice for \$330 twice:

The error was corrected. This amount was deducted from the January 11, 2008 payment. Proof was provided to the Comptroller's auditors.

One contractor charged more than the agreed-upon hourly rate, and as a result the district paid an extra \$537:

This mistake occurred because the contractor billed the district for half an hour of service higher than 50% of the hourly rate. Clearly this was not stipulated in the contract (only the hourly rate was agreed upon), and this error was corrected through a deduction of the January 11, 2008 payment. Proof was provided to the Comptroller's auditors.

One contractor submitted a claim of \$5,025 for time spent on electronic mail correspondence:

The District believes this claim is a legitimate expense. The contractor was discussing work related issues with district employees and families. Because the District requires this contractor to communicate with faculty and families assigned to her and to report on her work to administrators, this is regarded as a legitimate expenditure.

See
Note 2
Page 25

Criminal Background Checks – Page 13

The District accepts the two recommendations for fingerprint-supported criminal background checks. The District understands the importance of protecting the safety and well being of students through background checks. The District was already in compliance with the criminal

Chappaqua Central School District

background check law for its 800 plus employees before the audit began.

Since the audit, the District has implemented the following:

1. The Assistant Superintendent of Human Resources, with the assistance of the Director of Special Education and the Director of Continuing Education, will monitor compliance with fingerprinting requirements for independent contractors.
2. Background and fingerprinting clearances have been obtained for the individuals identified in the audit.

Conclusion

The Chappaqua Central School District would like to thank the State Comptroller's Office for assisting us in evaluating our internal controls. We understand, appreciate and support the recommendations you have made and are working to implement the identified changes.

Sincerely,



David Fleishman
Superintendent of Schools



Janet Benton
President, Board of Education

jc/jb/tm

APPENDIX B

OSC COMMENTS ON THE DISTRICT'S RESPONSE

Note 1

The District is correct in stating that claims must be paid within 30 days. However, the contract also requires that bills from service providers shall be submitted on a monthly basis. If the District required service providers to submit their invoices on a monthly basis, duplicate payments would be detected more readily.

Note 2

As mentioned in our report, e-mail correspondence was not a provision of the service provider's contract. The service provider supplied the auditors with a sample of the correspondence that she had billed the District for. After reviewing the correspondence, the auditors determined that it was conversational in nature and not always business-related.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, and payroll and personal services.

During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions, and reviewed pertinent documents, such as District policies and procedures manuals, Board minutes, and financial records and reports. In addition, we obtained information directly from the computerized financial databases and then analyzed it electronically using computer-assisted techniques. This approach provided us with additional information about the District's financial transactions as recorded in its databases. Further, we reviewed the District's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. We then decided upon the reported objectives and scope by selecting for audit those areas most at risk. We selected purchasing, special education and related services, and criminal background checks for further audit testing. Our testing included:

- Review of Board minutes and policy manual
- Invoices
- Purchase orders
- Claim forms
- Bid files
- Request for proposals (RFP) files
- Contracts with independent contractors
- Individual school physical therapy reports
- Special education student therapy reports
- One independent contractor's personal work calendar
- The New York State Education Department's Office of School Personnel Review and Accountability (OSPRA) background reports.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX D

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
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