

**Michael T. Wolff, CIA
Advisory Services**

South Colonie Central School District
Attn: Board of Education/Audit Committee
102 Loralee Drive
Albany, New York 12205

January 15, 2018

Re: 2017-2018 Risk Assessment

The 2017—2018 annual update of the Financial Risk Assessment for the South Colonie Central School District has been completed. The purpose of the engagement was to assist the District in complying with the regulations imposed by the 2005 School Financial Oversight and Accountability Legislation.

The purpose of the financial risk assessment is to review the internal controls that the district has in place to prevent errors, detect fraud, ensure that financial reporting is accurate, and that the district assets are safeguarded. In conducting the financial risk assessment key staff members were interviewed to obtain an understanding of the financial processes, internal controls and general operating procedures. In addition, transactions were randomly selected & tested in the following areas: cash receipts and cash disbursements covering the period of January 1, 2017 – October 31, 2017.

During the review there were minor exceptions identified, however, none of the exceptions taken singularly or in aggregate appear to rise to the level of a significant deficiency or material weakness of internal controls. The following pages summarize our examination findings and recommendations.

It was a pleasure working with the staff of the South Colonie Central School District and if there are any questions concerning this report, the review, or if we can be of assistance in the future please feel free to contact us.

Sincerely,



Michael T. Wolff, CIA
Internal Control Specialist
Michael Wolff Advisory Services

Comments and Recommendations

The items listed below represent a summary of the risk assessment update for the 2017-2018 year. None of the issues identified singularly or in aggregate represent a significant deficiency or material weakness of the internal controls.

Financial Area	Issue(s)/ Comment
<p>Financial Reporting and Budgeting— We reviewed the process of establishing the budget, monitoring progress throughout the year, and performing budget transfers. We also reviewed the process of creating the annual financial reports as well as periodic reports that are presented to the Board of Education.</p>	None
<p>Payroll— We reviewed the payroll process including, hiring, performing background checks, maintaining personnel files, regulatory filings, terminations, preparing payroll, salary changes, vacation and sick time record keeping, benefits, and account reconciliations. The last physical payroll was in March 2017 and is a recommended “best practice”.</p>	None
<p>Cash Receipts—We review the cash receipt process to ensure there are sound internal controls, for receiving, safeguarding, processing, and recording receipts. Included in this process was electronic ACH transactions, tax receipts, petty cash and cafeteria funds. We also tested 31 cash receipt transactions for proper documentation and accounting accuracy. Internal controls and procedures have been updated based upon the Café Audit from 2016-17. No exceptions were noted.</p>	None
<p>Payables and Disbursements— We reviewed the cash disbursement process to ensure there were sound controls for acquiring goods and services, receiving goods and services, processing competitive bids, and the controls for the use of credit cards. We also tested 40 cash disbursement transactions with no material exceptions noted. As part of the payable process we reviewed the procedures performed by the Claims Auditor.</p> <ul style="list-style-type: none"> • Comment #1 - Based upon the discussion with the Claims Auditor, the Claims Auditor doesn’t have a procedure to perform “individual tests” to periodically test invoices for completeness and accuracy. For example, obtaining an original contract to ensure the prices on the invoice agree to the contract and all of the work prescribed in the contract is complete. Additionally, the claims auditor does not identify “confirming purchase orders” or report them to the Board. <p>The Assistant Superintendent for Business does perform a review of the contracts before being presented to the Claims Auditor, and is aware of confirming purchase orders as the Purchasing Agent; however the Claims Auditor should be performing individual verifications and checking for confirming PO’s.</p> <ul style="list-style-type: none"> • Recommendation: Additional training may be needed for the Current Claims Auditor to ensure he is fully aware of the procedures that are required to effectively and thoroughly review the district’s claims. 	One Comment
<p>Cash, Investments, Bank Reconciliations—We reviewed the controls over the safeguarding, recording, and reconciling of the Districts, cash and investment accounts with out exception. We reviewed the October 2017 bank reconciliations for all accounts without exception.</p>	None

Financial Area	Issue (s)/ Comment
<p>Fixed Assets—We reviewed the processes for ordering, receiving, safeguarding and tracking the district’s fixed assets, without exception.</p>	None
<p>Extra-classroom Activity Funds (“ECAF”) —We interviewed the Central Treasurer and reviewed the procedures for processing ECAF transactions and safeguarding all funds, as well as recording all appropriate sales tax.</p>	2 comments
<ol style="list-style-type: none"> 1. Comment # 1 - During discussions with the three Central Treasurer’s there seemed to be some confusion and inconsistencies with the calculation of sales tax for some of the fundraisers held by the clubs. 2. Comment # 2 - The review of procedures performed by the Central Treasurers indicates that they are performing procedures that are generally the responsibilities of the Advisor. Responsibilities of the advisor should included assembling the deposit tickets, recording transaction into ledgers and preparing profit in loss statements with the students. The Central Treasurer should be the point person and intermediary between the clubs and the bank and there interaction with the students should be limited by design. 	
<p>Recommendation - The roles and responsibilities of the Central Treasurers and the Club Advisers should be reviewed with the specific personnel to ensure they are aware of their responsibilities. Additionally, the procedures for sales tax should be reviewed with the Central Treasurer’s to ensure it is being calculated correctly.</p>	
<p>Cafeteria Operations—We reviewed the process of safeguarding cafeteria cash, reconciling the cash registers, tracking and safeguarding food inventories and reporting on cafeteria operations without exception.</p>	None
<p>Information Technology— We reviewed the general security control procedures for safeguarding the district’s network, providing and removing access, ands the documented procedures for disaster recovery. There were no material findings noted.</p>	None
<p>Transportation— We reviewed the procedures for safeguarding the district’s fleet of vehicles, including buildings and grounds, the storage and safeguarding of fuel, spare parts and reporting on the use of fuel. There were no material findings noted.</p>	None

Additional Considerations:

The regulatory and financial environment that the School District operates within is constantly changing and there are risks that should be continually or periodically monitored. The following items are listed as either a reminder or suggestion for the district to consider in mitigating risks within this working environment. Please note these items are listed solely as a reminder and are not indicative of any significant deficiencies noted during our review.

1. In October 2010, OSC issued the publication “The Practice of Internal Controls”. Although the entire manual contains useful information, the chapters on Information Technology controls and Outsourcing controls are recommended to be reviewed by District personnel to ensure these controls are in place. As resources have been diminishing, many functions are being outsourced and this is an anticipated area of review for future OSC audits. Additionally, it is recommended that the business staff review their respective areas of this manual as a refresher on internal controls.