

**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 2, 2019

Re: 2018-2019 Risk Assessment

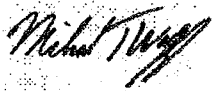
The 2018—2019 annual update of the Financial Risk Assessment for the South Colonie Central School District has been completed. The purpose of the engagement was to assist the District in complying with the regulations imposed by the 2005 School Financial Oversight and Accountability Legislation.

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 November 1, 2017 – October 31, 2018.

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 2018-2019 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
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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. There were no significant changes in personnel or in these processes, therefore, the risk(s) associated with these functions remains unchanged. None

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 May 2018 and is a recommended “best practice”. There were no significant changes in personnel or in these processes, therefore, the risk(s) associated with these functions remains unchanged. None

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 were electronic ACH transactions, tax receipts, petty cash, and cafeteria funds. We also tested 33 cash receipt transactions for proper documentation and accounting accuracy. No exceptions were noted. There were no significant changes in personnel or in these processes, therefore, the risk(s) associated with these functions remains unchanged. None

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 41 cash disbursement transactions with no material exceptions noted. As part of the payable process, we reviewed the procedures performed by the Claims Auditor. Three Comments

Comment #1: There were a number of exceptions that did not comply with the District’s purchasing policy or other regulations that were not reported to the Audit Committee/Board by the Claims Auditor.

- There were three “confirming PO’s”, (a purchase order is obtained after the purchase has been made)
- NYS Sales tax was paid at a NYS hotel.
- There was one claim noted in which the employee was reimbursed more than the amount allowable by the Federal Government per diem guidelines. When this occurs these disbursements become taxable income. This payment should have been reduced to the amount allowable or had the excess reported to the payroll department.

Comment #2: Current procedures allow for certain purchases to occur and then sent to the Purchasing Agent for approval on a claim form. These types of purchases include purchases by the Teachers Center, food and refreshments at meetings as well as conference and hotel reservations. Although the Purchasing Agent has the authority to reject the claim, the purchase approval is “after the fact” and was technically made without the approval of the Purchasing Agent. It should be noted that all conferences requests reviewed in our testing were approved by the Superintendent as required by current procedures. The Purchasing Agent is the only officer of the district authorized to commit the use of public funds even if approved by the Superintendent.

Financial Area	Issue (s)/ Comment
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Payables and Disbursements (Cont.)

Comment #3: The Claims Auditor has not attended any formal training in a few years which may provide him with the needed knowledge base to identify the exceptions listed above and to appropriately report on them.

Recommendations #1 & 3: The Claims Auditor should attend training to be aware of the items that should be reported to the Board of Education. The training will identify the types of items that should be reported to the Board in the Claims Audit report. These items generally include what warrants/disbursements were reviewed, the number of total dollars reviewed and the number of exceptions noted. Examples of exceptions that could be reported include, employees failing to follow purchasing policies, improper or inefficient use of public funds or insufficient documentation provided with the expense claim.

Recommendation #2: The district should evaluate and update their procedures to include the Purchasing Agent on certain types of transactions that currently do not require the Purchasing Agent’s approval prior to the purchase. These include conferences, food, and refreshments at meetings. Best practices for fund management is to encumber funds through the PO process for known expenses that the District intends to incur. Additionally, the Purchasing Agent has the responsibility to ensure all expenses are “reasonable and necessary” therefore by including the Purchasing Agent prior to the purchase the “reasonableness” test can be applied before an employee makes a purchase.

It should be noted that based on discussions when employees failed to follow Board purchasing procedures the Purchasing Agent notified the employee and/or supervisor to identify the issue. However, the Claims Auditor should report these items to the Board as well.

Cash, Investments, Bank Reconciliations—We reviewed the controls over the safeguarding, recording, and reconciling of the Districts, cash and investment accounts without exception. We reviewed the October 2018 bank reconciliations for all accounts without exception. There were no significant changes in personnel or in these processes, therefore, the risk(s) associated with these functions remains unchanged. None

Fixed Assets—We reviewed the processes for ordering, receiving, safeguarding and tracking the district’s fixed assets, without exception. None

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. 1 comment

Comment # 1 - During discussions with the Central Treasurer’s and a review of sample documentation, it was noted that at least one club was operating a “game of chance” as a fundraiser. Games of chance are prohibited from being operated by anyone under the age of eighteen by the NYS Gaming and Wagering Board. Included in these responsibilities are maintaining the accounting records which is required to comply with SED’s ECAF guidelines.

Financial Area	Issue (s)/ Comment
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ECAF (Continued)

Recommendation #1 - ECAF advisors should be reminded that games of chance, as defined by the New York State Gaming and Wagering Board are not allowed to be used as fundraisers by the ECAF clubs

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. There were no significant changes in personnel or in these processes, therefore, the risk(s) associated with these functions remains unchanged. None

Information Technology— We reviewed the general security control procedures for safeguarding the district’s network, providing and removing access, and the documented procedures for disaster recovery. There were no material findings noted. There were no significant changes in personnel or in these processes, therefore, the risk(s) associated with these functions remains unchanged. 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 deficiencies noted during our review.

1. In August 2018, the NYS Comptroller issued a report on several school districts (not SCCSD) monitoring their transportation with significant findings noted. It is recommended the Transportation department, as well as district administration, review this report and ensure their current vendors are operating appropriately, based on the recommendations from this report.
2. A common finding for the NYS Comptroller’s is the lack of current written procedures for most of the functions in the business office, cafeteria, and transportation. These include purchasing, receiving, cash receipts, lunch program receipts, food inventory, payroll, fuel inventory, IT, financial reporting, etc. It is recommended that management evaluates the status of existing procedures and updates or creates procedures to reflect current operations.
3. The Board of Education (“BOE”) and/or Audit Committee should continue to monitor the corrective action plans from the Management Comment letters provided by your external auditors, and any corrective actions taken as a result of this report.

**APPROVED BY
BOARD OF EDUCATION**

6-26-19

