

June 21, 2017

Sherri Fisher
South Colonie Central Schools
102 Loralee Drive
Albany, New York 12205

RE: District Response to Internal Audit Focus Area

Dear Ms. Fisher:

The firm Michael Wolff Advisory Services performed an Internal Audit for 2016-2017 school year, which included the focus area covering Café operations. As part of the audit process, they issued a report, dated May 31, 2017. The report was presented to the Board of Education's Audit-Finance Committee along with the Risk Assessment on June 20, 2017.

The 2016-2017 Café operations review resulted in the following findings and recommendations.

Finding:

During the testing of daily cash register receipts, it appeared that a single cashier was working out of two cash drawers at the same time. Further review noted that this appearance was the result of the cashier not completely signing out of their breakfast register and signing onto a different register for lunch. Although a second cashier signed into the original register for the lunch time shift, the Nutrikids system retained the morning person's name as the operator since she didn't sign out completely. This could cause differences to be erroneously reported to the wrong employee.

Recommendation:

The cashiers should be reminded to sign off of their registers in the morning when changing locations or cash drawers in the afternoon, so the Nutrikids cashier system retains the appropriate name of the cashier in the system.

Response:

The Food Service Director will work to train staff to do end of day routine in Nutrikids to ensure that each employee is signing out to prevent any errors.

Finding:

As of 1/5/17 there were 5 employees listed with "Director Access" which is full access to all functions. Based on the job descriptions of these individuals, it appears that their level of access is not reflective of their job responsibilities. All other employees appeared to have a level of access which reflected their job responsibilities.

Recommendation:

The access levels of the 4 employees who are not “officially” the Director of Food Service Operations should be reviewed to ensure that their access levels are appropriately reflective of their responsibilities. If some of the users need “occasional access”, (e.g. IT Director adding or deleting users, etc.) procedures should be developed to allow the employee full access for a period of time and then returned to a lower access level.

Response:

The Food Service Director will review each employee’s access and determine what level of access each employee will have.

Finding:

The café personnel in the District Office have complete system access and it appears that it is necessary in performing their daily jobs, or to act as a back-up should one of the other employees have to act as a back-up for the other. This access level allows employees to adjust cashier and student account balances, void/adjust transaction activity, and/or change the price of menu related items. Although there were no instances of unauthorized transactions noted, there are no procedures in place to ensure all transactions, which can be referred to as management overrides, are valid and appropriate.

Recommendation:

Since the three café employees within the District Office have access to make override transactions to the cash register and student prepaid accounts, a periodic review of these transactions should be performed by a person outside the Cafeteria operations to ensure all overrides are valid and correct.

Response:

The Food Service Director has indicated that all adjustments are reported on a monthly basis by giving a report to the District Treasurer for review.

Finding:

Although the district has policies and procedures for handling the charge accounts, there are some inconsistencies that were noted and areas in which additional procedures should be defined. The following are examples of some of the items that should be addressed in additional policies and procedures:

- Currently if a student runs into a negative balance and then submits paperwork that identifies them as being allowed to obtain free or reduced lunch, the negative balance is usually not collected. Procedures should be developed for either attempting collection or writing off the balance.
- Procedures should be developed for handling checks that are presented as having insufficient funds when presented for student accounts; Currently if a student presents a check for \$20 on their café account and the check bounces, the \$20 stays on the student’s account allowing them to buy meals, however the bounced check amount is carried on a separate ledger and is required to be collected upon by the café staff and/or the District Treasurer. As of 1/6/17, there were \$498.64 in uncollected checks the staff were currently following up upon, and during the period of 2010-2014, there have been write-offs of these amounts totaling \$2,091.75.
- There is currently no documented procedure for handling the movement of balances, positive or negative, between sibling’s accounts. Specific procedures

should be developed since in some instances the movement of a balance is not desired by one or more of the parents.

- Collections procedures should be documented to be consistent across the district. For example, a letter home after a certain number of days in a negative account status, a telephone call after so many additional days, and procedures for handling the “alternative” meal option. Additionally, the procedures for who will perform these processes should be agreed upon. Currently, building office assistants help with following up on negative balances, with the exception of one building. For consistency purposes these responsibilities should be outlined.
- Since the write-off of bad checks and/or negative student accounts are usually handled with a journal entry, these expenses do not go through the normal expenses review policy afforded the Board of Education, the Claims Auditor. If these expenses were processed through the Claims Auditor they should appear on the Claims Auditor report as an expense that is not in the best interest of the district.

Recommendation:

Additional procedures should be developed in writing to address how the negative account balances will be handled; who will take part in the collection process; how NSF checks will be dealt with; and how the write-offs will be reported to the Board so they are aware of the dollar value of the potential charge off at year-end.

Response:

- Negative balance letters are sent to all elementary parents weekly. The Food Service Director is looking to institute a monthly negative balance letter at the middle school level. Currently, high school students are not allowed to charge.
- The Food Service Director will work with the District Treasurer to develop a process for collecting on NSF checks to ensure the funds are returned to the District.
- Transfers between sibling’s accounts are only done when requested by the parent.
- Waiting on directive on what is allowable by NYSED.
- All items that are written off are signed off by the Assistant Superintendent for Management Services & Strategic Planning for accountability.

Finding:

The collection of cash and/or restocking of vending machines is handled by a single individual with no reporting of the vending machines activity presented when depositing cash into the Cafeteria fund. As a result there is no way to know if the deposit is accurate.

Recommendation:

To provide for stronger internal controls and reduce the risk of loss, the cash and inventory process should either be performed by two staff members, or a single individual with a report provided by the vending machine that can be reconciled to the deposit.

Response:

The Food Service Director will implement some extra internal controls to ensure that the funds are accurately accounted for.

Finding:

Currently there is no reporting on the profitability or loss of the vending machines. Periodic reports should be prepared which identifies the cost of the vending materials versus the money collected to ensure the pricing of the products are correct, and proper decisions can be made in regards to the use of the machines.

Response:

The Food Service Director monitors the pricing of the items in the vending machine to ensure profitability. She will also work on creating a mechanism to track the items that are put into the vending machines and ultimately sold.

Sincerely yours,

SOUTH COLONIE CENTRAL SCHOOLS



Anjelieeque Martinez
Business Office Manager/
District Treasurer

Cc: Annette Chamberlain, Food Service Director