



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

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

November 28, 2016

Re: 2016-2017 Risk Assessment

The 2016—2017 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 March 1, 2016 – September 30, 2016.

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 2016-2017 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><b>Financial Reporting and Budgeting</b>— 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><b>Payroll</b>— 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 2016; an annual physical payroll is recommended for the 2016-17 year.</p> <ul style="list-style-type: none"> <li>• Comment # 1 - An updated overtime rule goes into effect December 1, 2016; Management should monitor compliance with the new regulations.</li> </ul>	One comment
<p><b>Cash Receipts</b>—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 34 cash receipt transactions for proper documentation and accounting accuracy.</p> <ul style="list-style-type: none"> <li>• Comment #1 - One cash receipt appeared to take 11 days to be deposited. It is recommended that cash receipts are deposited in a timely manner.</li> </ul>	One comment
<p><b>Payables and Disbursements</b>— 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 30 cash disbursement transactions with no material exceptions noted. As part of the payable process we reviewed the procedures performed by the Claims Auditor.</p>	None
<p><b>Cash, Investments, Bank Reconciliations</b>—We reviewed the controls over the safeguard, recording, and reconciling the Districts, cash and investment accounts with out exception.</p> <ul style="list-style-type: none"> <li>• Comment #1 - 3 accounts had outstanding checks that were greater than 90 days old. (General Fund - 4 checks totaling \$271.34, oldest from 2012; Payroll Fund - 5 checks totaling \$6,806.57, oldest from 2012; Memorial Fund 5 checks totaling \$950.00, all from May 2016)</li> <li>• Aged outstanding checks should continue to be followed up upon to try and resolve the open items.</li> </ul>	One Comment
<p><b>Fixed Assets</b>—We reviewed the processes for ordering, receiving, safeguarding and tracking the district’s fixed assets, without exception. Fixed assets was selected as the “focus area” during 2015-2016.</p> <ul style="list-style-type: none"> <li>• A corrective action plan has been established for this review (District-wide inventory). Management and the Audit Committee should continue to monitor the district’s progress and results</li> </ul>	One Comment

Financial Area	Issue (s)/ Comment
<p><b>Extra-classroom Activity Funds (“ECAAF”)</b>—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. There were no material exceptions noted.</p>	None
<p><b>Cafeteria Operations</b>—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><b>Information Technology</b>— 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.</p>	None
<p><b>Transportation</b>— 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.
2. The 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.