

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

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

December 2, 2019

Re: 2019-2020 Risk Assessment

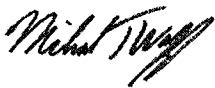
The 2019—2020 annual update of the Financial Risk Assessment for the South Colonie Central School District has been completed. The purpose of the engagement was to assist the District in complying with the regulations imposed by the 2005 School Financial Oversight and Accountability Legislation.

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, 2019 – October 31, 2019.

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 2019-2020 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 for monitoring purposes. There were no significant changes in personnel or in these processes, therefore, the risk(s) associated with these functions remains unchanged.</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.</p> <ol style="list-style-type: none"> 1. At the time of our review there were bargaining groups that had expired bargaining contracts that are currently in negotiations. These items present additional risk since the negotiated items could have significant financial impacts to the district. 2. Teachers are paid a full paycheck at the beginning of the school year, even if they have not worked a full pay period. Under NYS Law this is not allowed since it is considered paying for services not received or an interest free loan. This practice also increases the risk of loss if an employee terminates employment and owes the district money/time at the time of termination. 	Two comments
<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 were electronic ACH transactions, tax receipts, petty cash, and cafeteria funds. We also tested 30 cash receipt transactions for proper documentation and accounting accuracy. No material exceptions were noted. There were no significant changes in personnel or in these processes, therefore, the risk(s) associated with these functions remains unchanged.</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 35 cash disbursement transactions with no material exceptions noted. As part of the payable process, we reviewed the procedures performed by the Claims Auditor. During the year, the Board started to receive a “confirming purchase order report” from the Claims Auditor, which is a recommended report.</p>	Two comments
<p>Comment #1 - As a general comment, a couple of invoices were signed off as approved for payment as required, however we recommend that the personnel most directly involved with the expenses sign off on the invoice.</p>	

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

Comment #2: The Claims Auditor has not attended any formal training in a few years which may provide him with the needed knowledge base to identify exceptions and report to the Board. (e.g. Special Ed, IT, Grant Admin, etc.)

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 August 2019 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. One comment

Comment #1 - As of our review, a physical inventory had not been taken in a few years.

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. One comment

Comment # 1 - A new Central Treasurer was appointed as a result of a retirement. Anytime there is a change in personnel, there is the possibility of increased risk.

Recommendation #1 - The new ECAF Central Treasurer should receive additional training to gain a better understanding of the position.

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. One comment

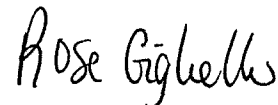
1. During the review of cash receipts there was one cash receipt that did not have supporting documentation for the cash received. The receipt was from food service and on this date there was a software problem that was believed to have caused the issue. Food service management should ensure that all differences are thoroughly reviewed and identified and supporting documentation is obtained when there are software issues.

Financial Area	Issue (s)/ Comment
<p>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. The IT department has had changes in personnel in the last year. Changes in personnel may increase risk to ensure policies and procedures are maintained..</p>	None

Additional Considerations:

The regulatory and financial environment that the School District operates within is constantly changing and risks should be continually and/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. 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.
2. The NYS Comptroller’s Office issued an audit in July 2019 on a sample of 17 school districts examining their compliance with the New York State Safe Schools Against Violence in Education (SAVE) Act. It is anticipated that this will become an area of focus for the Comptroller’s Office. Compliance with this act should be monitored.
3. The NYS Education Department issued a notice in July 2019 of the increased risk from ransomware and threats to cybersecurity. The District should continue to monitor cybersecurity programs and incident response plans.



PRESIDENT, BOARD OF EDUCATION

**APPROVED BY
BOARD OF EDUCATION**

8-25-20