

July 6, 2021

Board of Education  
South Colonie Central Schools  
102 Loralee Drive  
Albany, New York 12205

RE: District Response to Internal Audit Risk Assessment

Dear Members of the Board of Education:

The firm Michael Wolff Advisory Services performed a Risk Assessment as part of our Internal Audit for 2020-2021 school year. As part of the audit process, they issued a report, dated June 11, 2021. This report was presented to our Board of Education's Audit-Finance Committee on June 29, 2021. The focus area for the 2020-2021 internal audit is Payroll.

The 2020-2021 Risk Assessment resulted in the following recommendations.

**Risk Assessment Recommendation:**

The Board should appoint a new Central Treasurer as soon as practical.

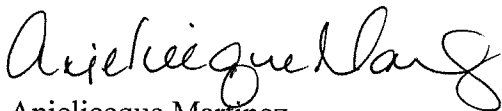
**Response:**

The District has posted the position for a new Central Treasurer.

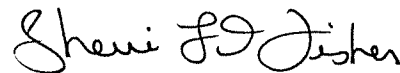
**Anticipated Completion – September 2021**

All other observations and comments will be reviewed by the District.

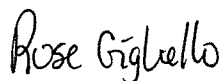
Sincerely yours,  
**SOUTH COLONIE CENTRAL SCHOOLS**



Anjelieque Martinez  
Business Administrator/  
District Treasurer



Sherri Fisher  
Assistant Superintendent for  
Management Svcs & Strategic  
Planning





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

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

June 11, 2021

Re: 2020-2021 Risk Assessment

The 2020—2021 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, 2020 – October 31, 2021.

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 2020-2021 year. None of the issues identified singularly or in aggregate represent a significant deficiency or material weakness of the internal controls.

The general comments in this report can be categorized as follows:

- a. **Observations:** These comments will note what we observed or identified during our review.
- b. **Comments:** These are areas that management should take note of but these items do not rise to the level of requiring a corrective action plan (CAP).
- c. **Comments with a separated recommendation(s):** These comments with the recommendation should have a CAP corrected that is approved by the Board of Education and is included in the reports sent to NYSED. NYSED has requested that the individual/title responsible for that particular CAP item is named and an anticipated date for correction be included with the CAP.

### External Risks:

Usually, the risks discussed in this report are risks associated within the district. Since March 2020, the response to the COVID-19 pandemic has had the most influence on the risk environment of the school district. The pandemic has increased the risks associated within the business office, such as purchasing, and payroll, however ancillary areas of the district such as transportation, information technology, student privacy, foodservice, and facilities (custodial), have also seen an increase in their risk portfolio. Although these challenges were addressed by the district, challenges still exist as a result of the pandemic and should continue to be monitored.

**Comment:** As part of our review we did not audit the written procedures or contingency plans of the district, however, we encourage a review of district level and department level procedures to have contingencies plans documented for events that would require operating in a hybrid or fully remote education model. Technology security and remote access should be evaluated as part of these plans.

### Financial and Operational Areas:

Since this is a risk assessment “update” we review the processes in place each year and look for areas of change, either in personnel, process, technology, or external changes such as regulatory requirements.

**Financial Reporting, Budgeting, and District Governance:** Oversight and monitoring are imperative functions by the Board of Education and Administration, to ensure assets of the district are protected, public funds are used appropriately, and the district is in compliance with various rules and regulations.

We reviewed the minutes of the Board meeting and various committees. As part of this review, we analyzed the information given to the Board for content, timeliness, and transparency. 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.

**Observations:** The communication between administration and the Board, (Board Committees) has been consistent and transparent. The Board has received financial status updates, payroll, and personnel updates and has been involved in the budgeting process. Based on a review of the minutes and the information transacted, the district’s Board appears to have sufficient information for monitoring the activity of the District. There were no significant personnel or process changes for this function.

**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. Note - This area was the focus area for the 2020-21 school year and has a separate audit report.

(payroll, cont.)

**Observations:** The risk profile for payroll changed during the year by impacts from the pandemic, and the retirement of the payroll manager. Additional impacts for the payroll area include the implementation of GASB #84, which will impact many payroll accounts in the Trust & Agency Fund. During our risk assessment review, we noted management has taken steps to address and/or monitor these risks appropriately.

**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 31 cash receipt transactions for proper documentation and accounting accuracy.

**Observations:** No material exceptions were noted. There were no significant changes in personnel or these processes, therefore, the risk(s) associated with these functions remains unchanged.

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

**Observations:** The risks associated with the payable functions were affected by changes in personnel. Primarily the Claims Auditor and the Accounts Payable (“AP”) Clerk. During the year, the claims auditor started to prepare a “confirming purchase order report”, which is a recommended report. We noted the new Claims Auditor attended training, which is recommended for new auditors.

**Comments:** During the review of testing we noted the following:

- There were 2 confirming PO’s that were not reported. These were prior to the new Claims Auditor appointment.
- A review of the Claims Auditor reports noted the “confirming PO report” was being forwarded to the business official but was not also forwarded to the District Clerk for Board meetings.

**Cash, Investments, Bank Reconciliations:** We reviewed the controls over the safeguarding, recording, and reconciling of the District’s, cash, and investment accounts without exception. We reviewed the November 2020 bank reconciliations for all accounts.

**Observations:** The staff and procedures have remained constant and the internal controls appear to adequately monitor the risks. The district is very proactive in following up on outstanding checks.

**Extra-classroom Activity Funds (“ECAF”)** — Extra-classroom was an area significantly affected by the pandemic with most club activities shut down, or many activities taking place in a hybrid/virtual setting. With fewer transactions and activities involving cash, the risk has been decreased during this period, however, GASB #84 requires an evaluation of how the funds will be reported on the district’s financial statements. This change could have affect the risk profile.

**Comment:** During the year, the High School Central Treasurer retired and a new Treasurer was not appointed by the Board. This is a required position for extra-classroom funds.

**Recommendation:** The Board should appoint a new Central Treasurer as soon as practical.

**Foodservice 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.

**Observations:** There were no significant changes to the managing staff of foodservice, however, there were a number of changes that had both positive and negative impacts on the risk profile.

- Changes in operations due to COVID required all students to receive free meals. This decreased the cash transactional risk but increase the likelihood, and/or the amount of a deficit to be recognized in the foodservice program.

**Comment:** We reviewed the progress of addressing the CAP from the previous internal audit of foodservice. The staff has been addressing the identified deficiencies but due to operating in a COVID environment haven't been able to correct all areas. (i.e. written procedures, etc.) Management should continue to work on the CAP as resources allow.

**Fixed Assets**—We reviewed the processes for ordering, receiving, safeguarding, and tracking the district's fixed assets. There were no significant changes in the personnel or procedures for fixed assets during the period of review.

**Comment:** The district has not had a full physical inventory in a few years. Any plans for a physical inventory were delayed due to the COVID environment. The district should perform a physical inventory as soon as practical.

**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 IT personnel or the computer systems of the business office, that would significantly change the risk profile.

**Observations:** As a result of leveraging technology to adapt to a hybrid learning model, many IT resources were committed and procedures put in place rapidly. Additionally, previous contingency operating plans were tested as a result of these operational changes. As a general recommendation, the contingency plans should be reviewed, updated, and ensure all documented procedures are updated.

**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 significant changes in personnel noted.

**Observations:** The transportation department was one of the district's areas that had additional strain placed on it from COVID. Transportation schedules and routing needed to be adjusted, as well as reducing the bus capacity for the proper spacing of students. During the year, the software for monitoring the fuel pumps was upgraded.

#### **Additional Considerations:**

The regulatory and financial environment that the School District operates within is constantly changing and risks should be continually monitored. The following items are listed as either a reminder or suggestion for the district to consider in mitigating and monitoring 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 and previous internal audit reports. As a reminder, NYSED has been requiring a person responsible for each CAP item to be identified, and an anticipated date of resolution should be included in the response.

2. The district has accepted the letter of retirement from the Assistant Superintendent for Business, expected to take place in the next school year. Personnel changes have an inherent risk involved to ensure procedures are maintained and there is an appropriate transfer of knowledge. The Administration and Board should have procedures for executing and monitoring this change.
3. As mentioned in this report, GASB #84 is going to be effective this reporting school year. The district should consult with its external auditors as part of this process.
4. NYS Comptroller Reports - Recent focus of the NYS Comptroller Audits has been with website transparency, information technology controls, and procurement, focusing on professional services. It is recommended to review these reports to stay current with examination trends and procedures issues identified by the NYS Comptroller.

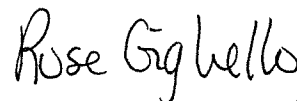
It was a pleasure working with the staff of the South Colonie Central School District. The staff was extremely helpful in accommodating our requests. If there are any questions concerning this review or this report please contact me.

Sincerely,



Michael Wolff, CIA

PRESIDENT, BOARD OF EDUCATION



APPROVED BY  
BOARD OF EDUCATION

6-29-2021