

July 5, 2022

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

RE: District Response to Internal Audit Focus Area

Dear Members of the Board of Education:

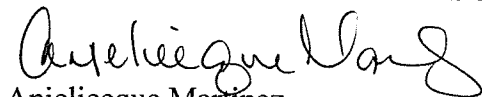
The firm Michael Wolff Advisory Services performed an Internal Audit for 2021-2022 school year, which included the focus area covering Insurance Buy-Outs and W-9 Processing. As part of the audit process, they issued a report, dated June 27, 2022. The report was presented to the Board of Education's Audit-Finance Committee on June 28, 2022.

The 2021-2022 Insurance Buy-Outs and W-9 Processing review resulted in a clean audit with no recommendations.

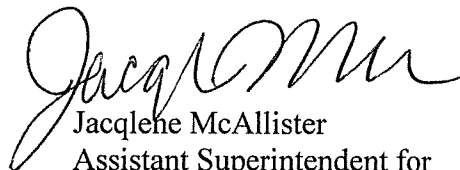
All observations or comments will be reviewed by the District.

Sincerely yours,

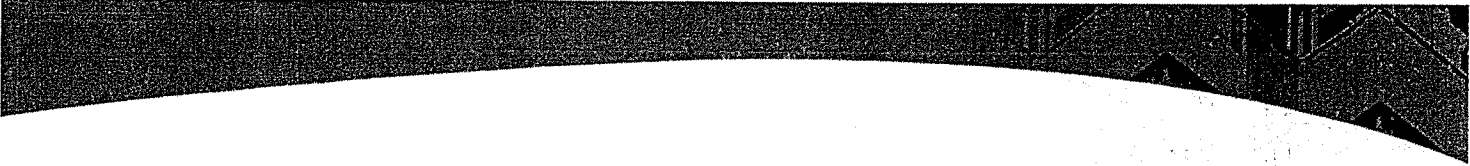
**SOUTH COLONIE CENTRAL SCHOOLS**



Anjelieque Martinez  
Business Administrator/  
District Treasurer



Jacqleene McAllister  
Assistant Superintendent for  
Management Services &  
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 17, 2022

Re: 2021-2022 Focus Area—Insurance Buy Outs/W-9 Vendor Records

The focus area for the 2021-2022 year involved a review of two smaller areas instead of one large area. The focus was on insurance buys outs and properly obtaining and recording W-9 forms (Request for taxpayer-identification numbers.)

**Executive Summary:**

**Insurance Buy-outs** - Insurance buy-outs provide savings to the district by employees opting to enroll in the buy-out instead of having the district provide insurance at a split cost between the employee and the district. The provisions for the buy-outs are outlined in the collective bargaining agreements of each bargaining group.

As part of our testing we examined the enrollment documentation to ensure it was complete and accurate, we tested the calculations and payments, and we also evaluated the payments to ensure they are beneficial to the district.

**Conclusions/Observations** - Our testing found the program to be effectively and efficiently run and a financial benefit to the district. Minor clerical items were noted and discussed with management.

**For W-9 Testing** - IRS Form W-9 (Request for taxpayer identification number) is a form that should be obtained from all vendors, before doing business, or making any payments to the vendor. This form provides the taxpayer identification number and also establishes the federal tax classification for the vendor. It is important to obtain this form to ensure the district is only doing business with valid and legal entities. The W-9 form also ensures district will be able to provide appropriate income for tax reported at year-end using the Form 1099—Miscellaneous Income.

As part of our testing, we review the process of obtaining W-9 forms, reviewed the completeness and accuracy of the information on the form, and entered it into the accounts payable system. We also tested to see that if a 1099 form was required to be issued a valid reporting was made.

**Conclusions/Observations** - Our testing noted that forms are obtained as required and when applicable form 1099's have been correctly issued with accurate information.

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 the results of the focus area testing for the 2021-2022 year. There were no issues identified that 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.

### Insurance Buyouts

District Employees who are eligible for health insurance benefits and who are insured through a non-district policy can opt out, based on their CBA agreement in exchange for direct compensation, disbursed in December and May. Open enrollment for health insurance begins in May, with an effective date of July 1st. Employees can access the school website for available insurance plans and pricing. Employees who previously participated in the opt-out enrollment will be sent a form from (Payroll/ Insurance). Employees not previously enrolled need to request a form.

Completed forms with proof of insurance (copy of insurance card or letter from an insurance company) must be returned to payroll/insurance before the end of open enrollment. After review, participants are logged into excel spreadsheets by Collective Bargaining Agreements, and payments are calculated based on their plan. New hires and employees with a qualifying event (IRS qualifying event) are prorated based on the date insurance coverage would have become available. Participants transferring to a different position with a different CBA will be prorated and adjusted to their current position.

**Observations** - As part of our testing we selected 40 employees from multiple collective bargaining groups to ensure their enrollment forms were filed timely and were completed appropriately. We tested to ensure that the payments were correct and timely for their collective bargaining group. We also selected 23 employees that either started or ended their employment during the year to ensure that the calculations of the buy-outs were appropriate and correct.

Our review noted minor clerical errors on the enrollment forms but these were errors by the employees and not errors by the payroll/benefits department. All calculations and payouts were correct for both full-year employees and employees that required their payments to be pro-rated. Based on our testing it appears all policies, procedures, and calculations are appropriately performed.

### Form—W-9 Processing:

The IRS requires persons doing business with vendors' to obtain the vendors taxpayer identification number and the tax classification of the vendor before doing business. This information is required to ensure the vendor is a valid vendor and the information is also used for tax reporting purposes at year-end. A new vendor form is used for all new employees to ensure the proper information about the vendor is obtained and ensure the form W-9 is obtained and completed. Once the information is received it is entered into the nVision system which is used to generate the year-end reporting. For example, if the vendor was paid over \$600, for services and is registered as a sole proprietor, a 1099 would be issued but if it was a corporation, it would not be generated.

**Observations** - As part of our testing we selected a random sample from the active vendor file for the 2021 calendar year. Of the forty samples, 24 were new employees that would have required a new form

that year. For each sample, we reviewed to see that a W-9 Form was on file and was complete. We also agreed the form 1099 to the data entered to nVision. We reviewed the activity of the sampled vendors to identify the vendors that required a 1099 form at year-end. We reviewed the 1099 file to ensure a 1099 was issued and for the proper amount.

Our review noted the procedures are sound and that all of the forms and information were properly obtained and processed. Minor comments regarding the process were discussed with management.

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