

September 18, 2019

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

RE: District Response to Internal Audit Risk Assessment

Dear Ms. Fisher:

The firm Michael Wolff Advisory Services performed a Risk Assessment as part of our Internal Audit for 2018-2019 school year. As part of the audit process, they issued a report, dated January 2, 2019. This report was presented to our Board of Education's Audit-Finance Committee on June 26, 2019. The focus area for the 2018-2019 internal audit was Payroll.

The 2018-2019 Risk Assessment did not result in any findings. However, the following comments and recommendations were made.

Risk Assessment Comment:

There were a number of exceptions that did not comply with the District's purchasing policy or other regulations that were not reported to the Audit Committee/Board by the Claims Auditor.

- There were three "confirming PO's", (a purchase order is obtained after the purchase has been made)
- NYS Sales tax was paid at a NYS hotel.
- There was one claim noted in which the employee was reimbursed more than the allowable amount by the Federal Government per diem guidelines. When this occurs, these disbursements become taxable income. This payment should have been reduced to the amount allowable or had the excess reported to the payroll department.

The Claims Auditor has not attended any formal training in a few years which may provide him with the needed knowledge base to identify the exceptions listed above and to appropriately report on them.

Recommendation:

The Claims Auditor should attend training to be aware of the items that should be reported to the Board of Education. The training will identify the types of items that should be reported to the Board in the Claims Audit Report. These items generally include what warrants/disbursements were reviewed, the number of total dollars reviewed and the number of exceptions noted. Examples of exceptions that could be reported include, employees failing to follow purchasing policies, improper or inefficient use of public funds or insufficient documentation provided with the expense claim.

Response:

The District has informed staff with budgetary responsibility that confirming PO's are a violation of the District's purchasing protocols and should not take place. The District continues to work with departments to provide further guidance on the appropriate steps to make a purchase. Additionally, the District has established a mechanism for the Claims Auditor to review and document confirming PO's and report these instances directly to the Board as well as notification to the employee(s) involved. Additional training will be provided to the Claims Auditor.

The NYS Sales Tax was collected back from the hotel. The District is in the process of updating the travel and conference guidance distributed to staff to ensure better compliance.

Risk Assessment Comment:

Current procedures allow for certain purchases to occur and then sent to the Purchasing Agent for approval on a claim form. These types of purchases include purchases by the Teachers Center, food and refreshments at meetings as well as conference and hotel reservations. Although the Purchasing Agent has the authority to reject the claim, the purchase approval is "after the fact" and technically made without the approval of the Purchasing Agent. It should be noted that all conference requests reviewed in our testing were approved by the Superintendent as required by current procedures. The Purchasing Agent is the only officer of the District authorized to commit the use of public funds even if approved by the Superintendent.

Recommendation:

The District should evaluate and update their procedures to include the Purchasing Agent on certain types of transactions that currently do not require the Purchasing Agent's approval prior to the purchase. These include conferences, food, and refreshments at meetings. Best practices for fund management is to encumber funds through the PO process for known expenses that the District intends to incur. Additionally, the Purchasing Agent has the responsibility to ensure all expenses are "reasonable and necessary" therefore by including the Purchasing Agent prior to the purchase the "reasonableness" test can be applied before an employee makes a purchase.

Response:

To ensure better compliance, the District is working on revisions to the travel and conference procedures that are distributed to staff each school year.

Risk Assessment Comment (Extra-classroom Funds):

During discussions with the Central Treasurer's and a review of sample documentation, it was noted that at least one club was operating a "game of chance" as a fundraiser. Games of chance are prohibited from being operated by anyone under the age of eighteen by the NYS Gaming and Wagering Board. Included in these responsibilities are maintaining the accounting records, which is required to comply with SED's ECAF guidelines.

Recommendation:

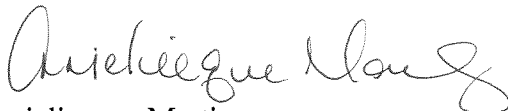
ECAF advisors should be reminded that games of chance, as defined by the New York State Gaming and Wagering Board are not allowed to be used as fundraisers by the ECAF clubs.

Response:

The District provides a handbook to all staff involved with Extra-Classroom activities as a training tool each school year. Additionally, all staff have been notified specifically regarding the prohibition of "games of chance".

Sincerely yours,

SOUTH COLONIE CENTRAL SCHOOLS



Anjelieeque Martinez
Business Office Manager/
District Treasurer

APPROVED BY
BOARD OF EDUCATION

9-24-19



PRESIDENT, BOARD OF EDUCATION