

SOUTH COLONIE CENTRAL SCHOOL DISTRICT

102 Loralee Drive
Albany, NY 12205

Jonathan W. Buhner
Superintendent of Schools



Phone: (518) 869-3576
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www.southcolonieschools.org

February 14, 2018

Ms. Andrea Hyary
NYS Education Department
Office of Audit Services
89 Washington Avenue
Room 524 EB
Albany, New York 12234

Re: District Response to IRS Audit – PY 12/31/15

Dear Ms. Hyary:

The Internal Revenue Service audited South Colonie Central School District's records in relation to the District's 403(b) plan for the period of January 1, 2015 through December 31, 2015. As part of the audit process, they issued a final letter containing advisory comments, dated December 11, 2017.

This information was presented to the District's Audit/Finance Committee on December 19, 2017 and the corrective action plan was approved at the February 13, 2018 Board of Education meeting. The audit did not result in any changes to our plan's status, but two advisory comments were issued as a result of the audit. For each advisory comment included in the audit report, the following corrective action(s) will be taken. A copy is attached for your reference.

Audit Comment and Recommendation:

In one instance, it was found that a plan participant failed to repay a plan loan and should have incurred a deemed distribution on a loan default for 2016 and a Form 1099-R should have been issued to the participant and filed with the Internal Revenue Service.

Corrective Action(s):

ASpire Financial (the loan provider) will be issuing a 1099-R for the year 2017 as agreed upon with the Internal Revenue Service. Additionally, ASpire Financial is being removed from South Colonie's Approved Provider Listing effective June 30, 2018 due to the violation of IRC Section 72(p) of the Internal Revenue Service.

Ms. Andrea Hyary
NYSED Office of Audit Services
Re: District Response to IRS Audit
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Audit Comment and Recommendation:

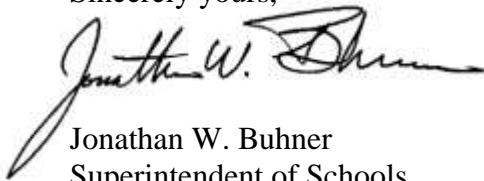
Due to the lack of a 1099-R being issued in one instance, it was recommended that South Colonie Central School District gain better control over the loan process under the 403(b) plan.

Corrective Action(s):

South Colonie Central School District will work with Benetech (Third-Party Administrator) to institute new procedures to monitor the repayment of outstanding participant plan loans and to ensure that 1099-R's are issued timely when a participant fails to repay a loan. Additionally, South Colonie Central School District has amended their plan document to discontinue the allowance of participant loans effective January 1, 2018.

Should you need any additional information, please do not hesitate to contact me.

Sincerely yours,



Jonathan W. Buhner
Superintendent of Schools
South Colonie Central School District

cc: Anjelieeque Martinez, Business Office Manager/District Treasurer
Sherri Fisher, Assistant Superintendent for Management Services & Strategic Planning
Jamie Mroczko, District Clerk
Marc Salvatore, IRS Examiner 1000746315



Department of the Treasury
Internal Revenue Service
TEGE Employee Plans Group 7605
Leo O'Brien Federal Building, Room 521
11A Clinton Avenue
Albany, NY 12207

DEC 12 2017

Date:
December 11, 2017
Taxpayer Identification Number:
14-6001364
Name of Plan:
South Colonie Central School District 403(b)
Plan
Type of Plan:
IRC 403(b)
Plan Year(s) Ended:
December 31, 2015
Person to Contact/ID Number:
Marc D. Salvatore / 1000746315
Contact Telephone Number:
(518) 242-5431

South Colonie Central Schools
ATTN: Anjelieeque Martinez
102 Loralee Drive
Albany, NY 12205-2223

Dear Sir or Madam:

We have completed our examination of your plan for the year(s) listed above. We are pleased to inform you that no change in your plan's status will be proposed. However, during the examination we noted certain items, indicated on the enclosure, that require your attention.

If you have any questions, please contact the person whose name and telephone number are shown above.

Thank you for your cooperation.

Sincerely,

Thomas J. Petit
Acting Director, EP Examinations

Enclosure:
Explanation of Items

Explanation of Items

Name of Plan South Colonie Central School District 403(b) Plan	Taxpayer Identification Number 14-6001364	Plan Year(s) Ended December 31, 2015
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The following items are provided as advisory comments as a result of our examination:

During the examination of your 403(b) plan it was noted that a plan participant failed to repay a plan loan and should have incurred a deemed distribution on a loan default for 2016 and a Form 1099-R should have been issued to the participant and filed with the Internal Revenue Service reporting the same. You have agreed to issue a Form 1099-R to the participant and file the same with the Internal Revenue Service reporting the loan default and corresponding deemed distribution for 2017. The school district has agreed to institute new procedures to monitor the repayment of participant plan loans and to properly and timely inform applicable plan vendors of plan loans that are in default and to ensure that all required Forms 1099-R and timely issued and filed. It is the Plan Administrator's responsibility to timely issue a Form 1099-R when the failure to repay a plan loan should be treated as a deemed taxable distribution in accordance with Treasury Reg. § 1.72(p)-1 Q & A 10.