

July 5, 2022

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 2021-2022 school year. As part of the audit process, they issued a report, dated May 27, 2022. This report was presented to our Board of Education's Audit-Finance Committee on June 28, 2022. The focus area for the 2021-2022 internal audit is Insurance Buy-Outs and W-9 Processing.

The 2021-2022 Risk Assessment resulted was a clean report with no recommendations.

All observations and comments will be reviewed by the District.

Sincerely yours,  
**SOUTH COLONIE CENTRAL SCHOOLS**



Anjelieque Martinez  
Business Administrator/  
District Treasurer



Jacquene McAllister  
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

May 27, 2022

Re: 2021-2022 Risk Assessment

The 2021—2022 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. Additionally, transactions were randomly selected and tested for cash receipts, cash disbursements, journal entries, and bank reconciliations.

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. At the time of this report, risks related to operating under potential COVID-19 restrictions still present a significant challenge to all school districts. 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 2021-2022 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:**

Since March 2020, the COVID-19 pandemic has had the most influence on the risk environment for school districts across the State. The pandemic has increased the risks in most areas of the school both financially, operationally, and has altered operating procedures in many areas of the school.

The second external risk that has had a significant influence on all school districts in the State are threats from cyber-terrorism and the protection and privacy of data. Included within these threats are risks from viruses, malware, and ransomware.

**Comments:** Both of these risks have raised the importance of having written contingency/disaster recovery plans as well as documented procedures for most operational and administrative functions. In response to both of these threats, the Board and District Administration should continue to monitor external threats and preventative measures.

**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. The NYS Comptroller has pushed to ensure required information is available on the district’s web-site. We reviewed these reports as part of our review.

**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. The financial audits and budget information (at the time of our review) was available on the districts website,

**Comment #1:** During the year there was a change in the Business Official’s position as a result

of a retirement. Any time there are personnel changes, there is operational risk to ensure controls and procedures remain in operation during the transition period. At the time of our review, we didn't identify any changes in internal controls as a result of this change.

**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.

**Observations:** The staff appears knowledgeable in the areas of processing payroll and the procedures appear sound. There were no significant changes in personnel or processes, therefore, the risk(s) associated with these functions remains unchanged. The findings from the previous internal audit has been corrected as of July 2021.

**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 review were wire transfers, ACH transactions, tax receipts, miscellaneous cash receipts, and cafeteria funds. We also tested 30 cash receipt transactions from 11/1/2020 through 10/31/2022 for proper documentation, accounting accuracy, and timeliness of deposits. There were no significant changes in personnel or these processes, therefore, the risk(s) associated with these functions remains unchanged.

**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 30 cash disbursement transactions between 11/1/2020 and 10/31/2021. 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 purchasing agent with the appointment of the new business official and the Accounts Payable ("AP") Clerk. Any time there are personnel changes, there is operational risk to ensure controls and procedures remain in operation during the transition period. At the time of our review, we didn't identify any changes in internal controls as a result of this change. Our transaction testing found no material exceptions.

**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 October 2021 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 that is still partially affected by the pandemic with many clubs having limited activities and reduced balances due to the lack of activity from the previous year. With fewer transactions and activities involving cash, the risk has been decreased during this period.

**Comment:** During the year, the High School Central Treasurer has been replaced. Our review was too early in the year to determine if their were inactive accounts, but as usual, the district should evaluate the existence of any clubs without financial activity at year end.

**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, the district is still operating under the foodservice program established during COVID of having all students receive free lunch. This decreased the cash transactional risk as well as the potential loss from uncollected student charges.

**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. The district should perform a physical inventory as soon as practical. This becomes additionally important with the required implementation of GASB #87 which will require an inventory of all lease agreements and equipment.

**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.

**Observations:** 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. 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.

**Observations:** There were no significant changes in personnel noted therefore the risks have stayed the same. State-wide there is a shortage of drivers which has increase operational risk, however this has not affected the school days of South Colonie as it has other school districts.

**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. GASB #87 Lease Accounting requires an examination of leases both as a lessee and a lessor. As part of this process, it is recommended to have an inventory of all leases, from both sides of the contract, as well as identify installment purchases. The district's external auditor should be consulted for implementing this GASB.

South Colonie Central School District

Risk Assessment Update 2021-2022

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,

A handwritten signature in cursive script that reads "Michael Wolff".

Michael Wolff, CIA

