



# South Colonie

CENTRAL SCHOOL DISTRICT

June 27, 2023

Board of Education  
South Colonie Central Schools  
102 Lorelee 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 2022-2023 school year. As part of the audit process, they issued a report, dated June 15, 2023. This report was presented to our Board of Education's Audit-Finance Committee on June 27, 2023. The focus area for the 2022-2023 internal audit is Extra-Classroom.

The 2022-2023 Risk Assessment resulted in the following recommendations.

**Risk Assessment Recommendation:**

It is recommended that the District review purchasing procedures with district staff who may be involved in creating requisitions and purchase order requests. Additionally, considering the resumption of conferences and travel post-COVID, it would be beneficial to review Board policies #6830 and #6831 with staff. These policies cover expense reimbursement for travel, meals, and refreshments. Policies for the use of Gift Cards should be developed to secure them and have a method to report back to the Claims Auditor on how the cards were disbursed or used.

**Response:**

The District is planning to host a training meeting for all requisition users in the Fall of 2023. Additionally, the District purchases gift cards in limited circumstances, The District will look at developing guidelines for the purchase and review of gift card use.

**Anticipated Completion – November 2023**

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



# South Colonie

CENTRAL SCHOOL DISTRICT

Sincerely yours,

**SOUTH COLONIE CENTRAL SCHOOLS**

Anjelieeque Martinez  
Business Administrator/  
District Treasurer

Jacqueline McAllister  
Assistant Superintendent for  
Management Svcs & Strategic  
Planning

PRESIDENT, BOARD OF EDUCATION

APPROVED BY  
BOARD OF EDUCATION

6-27-2023

**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 15, 2023

Re: 2022-2023 Risk Assessment

Subject: Financial Risk Assessment Report for the South Colonie Central School District (2022—2023)

We are pleased to inform you that the annual update of the Financial Risk Assessment for the South Colonie Central School District has been successfully completed. This engagement aimed to support the District in complying with the regulations set forth by the 2005 School Financial Oversight and Accountability Legislation.

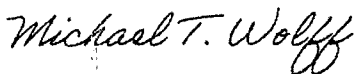
The purpose of the financial risk assessment was to evaluate the effectiveness of the district's internal controls in preventing errors, detecting fraud, ensuring accurate financial reporting, and safeguarding district assets. Our approach included conducting interviews with key staff members to gain an understanding of financial processes, internal controls, and general operating procedures. Furthermore, we performed random tests on transactions involving cash receipts, cash disbursements, journal entries, and bank reconciliations.

Throughout the review process, we identified minor exceptions; however, none of these exceptions, either individually or collectively, appear to reach the level of a significant deficiency or material weakness in internal controls. It is worth noting that the majority of risks associated with operating under potential COVID-19 conditions, which impacted the previous year's report, have diminished at the time of this assessment.

Enclosed within this report are the summarized examination observations, findings and corresponding recommendations. We trust that these insights will prove valuable as the South Colonie Central School District continues to enhance its financial management practices and mitigate potential risks.

We would like to express our appreciation for the opportunity to work alongside the staff of the South Colonie Central School District during this assessment. Should you have any questions or require further clarification regarding this report or the review process, please do not hesitate to contact us. We are more than willing to assist you. Once again, we extend our gratitude for your cooperation throughout this engagement.

Sincerely,



Michael T. Wolff, CIA  
Internal Control Specialist  
Michael Wolff Advisory Services

### **Comments and Recommendations**

The following is a summary of the risk assessment update for the 2022-2023 year. None of the issues identified, either individually or collectively, represent a significant deficiency or material weakness of the internal controls. 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.

The comments and recommendations in this report can be categorized as follows:

- a. **Observations:** These comments highlight what we observed or identified during our review.
- b. **Comments:** These are areas that management should take note of, but they do not require a corrective action plan (CAP) at this time.
- c. **Comments with a separated recommendation(s):** These comments, along with the recommendation(s), require a CAP to be developed, approved by the Board of Education, and included in the reports sent to NYSED. As per NYSED's request, the CAP should include the name of the individual/title responsible for addressing the specific CAP item and an anticipated date for correction.

Should you require any further clarification or assistance in implementing the recommendations, please do not hesitate to reach out to us.

### **Financial and Operational Areas:**

**Financial Reporting, Budgeting, and District Governance:** The oversight provided by the Board and Administration is vital in ensuring the protection of the district's assets, appropriate use of public funds, and compliance with relevant rules and regulations.

During our review, we thoroughly examined the minutes of the Board meetings and various committees. As part of this analysis, we assessed the content, timeliness, and transparency of the information presented to the Board. We also evaluated the processes involved in budget establishment, ongoing progress monitoring, and budget transfers. Additionally, we reviewed the procedures for creating the annual financial reports and periodic reports presented to the Board of Education for monitoring purposes.

**Observations:** The communication between the administration and the Board, including Board Committees, has been consistent and transparent. The Board has been provided with regular updates on financial status, payroll, personnel matters, and has actively participated in the budgeting process. Based on our review of the minutes and the information shared, it appears that the district's Board has been adequately informed to monitor the District's activities.

**Payroll—** During our assessment, we reviewed the payroll process, which encompassed activities such as hiring, conducting background checks, maintaining personnel files, handling regulatory filings, managing terminations, preparing payroll, implementing salary changes, tracking vacation and sick time, administering benefits, and conducting account reconciliations.

**Observations:** Based on our evaluation, the staff demonstrates a solid understanding of payroll processing, and the procedures in place appear to be robust. We did not identify any significant changes in personnel or processes during our review, which indicates that the risks associated with these functions have remained unchanged.

**Cash Receipts—** As part of our audit, we conducted a review of the cash receipt process to ensure the existence of internal controls for receiving, safeguarding, processing, and recording receipts. This examination encompassed various types of cash receipts, including wire transfers, ACH transactions, tax re-

ceipts, miscellaneous cash receipts, and cafeteria funds. Furthermore, we performed tests on 35 cash receipt transactions occurring between 11/1/2021 and 10/31/2022 to assess their documentation, accounting accuracy, and timeliness of deposits.

**Observations:** We are pleased to report that no material exceptions were identified during our review of the cash receipt process. Furthermore, we found no significant changes in personnel or processes pertaining to these functions, indicating that the associated risks have remained consistent.

**Payables and Disbursements—** As part of our audit, we reviewed the cash disbursement process to ensure the existence of controls for acquiring goods and services, receiving goods and services, processing competitive bids, and managing the use of credit cards. Additionally, we conducted tests on 35 cash disbursement transactions occurring between 11/1/2021 and 10/31/2022. Within the payable process, we also examined the procedures performed by the Claims Auditor.

**Observations:** We did not observe a significant change in the risks associated with the payable functions. There was a change in accounts payable clerks during the year however, we did not identify any changes in internal controls as a result of this transition.

**Comments:** We have noted several exceptions as follows:

1. Ten purchases were made without obtaining a purchase order (PO) prior to the purchase (confirming POs).
2. One purchase involved gift cards, which is not a preferred method of utilizing public funds. Gift cards convert public funds, subject to review by the Claims Auditor, into a currency medium that is not reviewed by the Claims Auditor.
3. Two claim forms for attendance at conferences were missing either the conference proof of attendance or the conference evaluation form, both of which are requirements according to Board Policy #6830-R.
4. Two expense claims for meal reimbursements related to catering for internal meetings or professional development lacked the agenda, purpose of the meeting, and a list of attendees, as mandated by Board Policy #6831-R.
5. Two expenses were claimed after the fact using a claim form instead of utilizing a PO prior to the purchase.
6. One employee's meal reimbursement exceeded the General Services Administration's (GSA) limit, as required by the Board's Expense Reimbursement Policy #6830-R.
7. One expense was paid based on a packing slip rather than an actual invoice.
8. The Claims Auditor creates a confirming purchase order report, but it is not shared with the Board. Since the Claims Auditor performs tasks on behalf of the Board and reports to the Board, it is recommended that all activities identified by the Claims Auditor be reported to the Board, ideally on a monthly basis.

**1 Recommendations:** We recommend reviewing purchasing procedures with district staff who may be involved in creating requisitions and purchase order requests. Additionally, considering the resumption of conferences and travel post-COVID, it would be beneficial to review Board policies #6830 and #6831 with staff. These policies cover expense reimbursement for travel, meals, and refreshments. Policies for the use of Gift Cards should be developed to secure them and have a method to report back to the Claims Auditor how the cards were disbursed or used.

**2 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 September 2022 bank reconciliations for all nine bank accounts.

**Observations:** The staff and procedures have remained constant and the internal controls appear to adequately monitor the risks. The district did not have any checks greater than 90 days. The Business Administrator/District Treasurer is very proactive in following up on outstanding checks.

**Extra-classroom Activity Funds (ECAAF)** - Extra-classroom activities have begun to resume normal operations similar to pre-COVID years. It is important to note that extra-classroom activities involve a significant number of "cash" transactions and are primarily managed by students, which inherently presents a risk.

**Comment #1:** During the year, there was a change in the Central Treasurer position at the high school. Whenever there is a change in personnel, there is an opportunity for procedures or internal controls to be affected. However, we did not perform testing on these controls during our review.

**Comment #2:** Extra-classroom activities will be the primary focus area for the 2022-23 school year. A separate report specifically addressing this area will be issued.

**Foodservice Operations**—We reviewed the processes involved in safeguarding cafeteria cash, reconciling cash registers, tracking and securing food inventories, and reporting on cafeteria operations.

**Observation #1:** We noted no significant changes in the managing staff of foodservices or in the programs or systems utilized therefor the operational risk remains the same.

**Observation #2:** In the 2022-23 school year, only qualifying students are receiving free meals, marking a departure from the practices implemented during the COVID-19 operations. Consequently, students are permitted to charge for meals, which increases the financial risk of additional expenses to the district due to uncollected accounts.

**Comment #1:** At the time of our review in November 2022, the outstanding negative student balance amounted to approximately \$17,000. It is strongly advised that the Board be regularly informed about this balance throughout the year, as it has the potential to become a significant expense.

**Fixed Assets**—During our audit, we thoroughly reviewed the processes related to ordering, receiving, safeguarding, and tracking the district's fixed assets. We are pleased to report that no significant changes occurred in personnel or procedures for fixed assets during the period under review.

**Comment:** It came to our attention that the district has not conducted a full physical inventory in a few years. It is strongly recommended that the district promptly perform a physical inventory. This becomes even more crucial with the upcoming opening of the new transportation facility. It would be beneficial to establish an inventory during the transition to a new location.

**Information Technology**—As part of our audit, we reviewed the general security control procedures in place for safeguarding the district's network, managing access rights, and the documented procedures for disaster recovery.

**Observations:** We did not identify any material findings during our assessment. There were no significant changes in IT personnel or the computer systems utilized by the business office that would significantly alter the risk profile. As a general recommendation, we suggest reviewing

and updating the contingency plans, ensuring that all documented procedures are up to date.

**Transportation**—We conducted a review of the procedures in place to safeguard the district's fleet of vehicles, including buildings and grounds, as well as the storage and protection of fuel and spare parts. We also examined the reporting practices regarding fuel usage.

**Observations:** We found no significant changes in personnel or procedures related to transportation as a result the risk profile remains unchanged.

**Comment:** As mentioned in the fixed assets section, the district has a major project scheduled for the construction of a new transportation facility. It is essential to closely monitor operational and logistical risks associated with such a significant undertaking.

**Additional Considerations:** The regulatory and financial landscape within which the School District operates is continuously evolving, requiring ongoing risk monitoring. The following items serve as reminders or suggestions for the district to consider in mitigating and monitoring risks within this dynamic working environment. Please note that these items are provided as a reminder and do not indicate any deficiencies found during our review.


1. The Board of Education (BOE) and/or Audit Committee should continue to oversee the corrective action plans derived from the Management Comment letters provided by your external auditors, as well as any corrective actions implemented in response to internal audit reports. As a reminder, NYSED requires the identification of individuals responsible for each corrective action item and the inclusion of anticipated resolution dates in the response.
2. Stay up to date with NYS Comptroller Reports, which have recently focused on website transparency, information technology controls, and procurement, particularly related to professional services. Reviewing these reports will help ensure awareness of examination trends and procedural issues identified by the NYS Comptroller.
3. Given the threats to student privacy (Ed 2D law), computer security, and cyberterrorism, it is crucial for the district to continually evaluate risks associated with its infrastructure.

It was a pleasure working with the staff of the South Colonie Central School District. Should you have any questions regarding this report, the review, or if we can provide further assistance in the future, please do not hesitate to contact us.

Sincerely,



Michael Wolff, CIA  
Michael Wolff Advisory Services

  
PRESIDENT, BOARD OF EDUCATION

APPROVED BY  
BOARD OF EDUCATION  
6-27-2023