Dear Senate Members:

In planning and performing our audits of the combining financial statements of The Student Association at the State University of New York at Albany, Inc. and Affiliate - Dippikill, Inc. (the Organizations) as of June 30, 2017 and 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Organizations’ internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Organizations’ internal control to be material weaknesses:

1. BANK RECONCILIATIONS

Finding

Bank reconciliations were not performed for the majority of the year ended June 30, 2017. In addition, we noted several instances of cash activity affecting cash balance that were not reflected in the general ledger.

Recommendation

We recommend that the Association complete and review the bank reconciliations in a timely manner after bank statements are received in order to detect and correct any errors that may have occurred. In addition, the Association should improve the control process to ensure all cash activity are being properly recorded in the general ledger.

Management Response

The Student Association and Dippikill, Inc. have committed to a three year custodial contract with their Fiscal Agent (UAS) effective July 1, 2017. This new relationship will bring assurance that bank statements will be reviewed and reconciliations processed in a timely manner. Processing reconciliations monthly will help to correct errors as they occur and will strengthen internal controls to ensure cash activity is properly recorded.
2. CREDIT CARD

Finding

The Association has a credit card use policy as outlined in the Treasurer’s Handbook. The controls over credit card use were not always followed and in many cases an approved request was not made available to support credit card use. This may result in inappropriate credit card charges. In addition, we noted several instances of credit card activity affecting cash balance that were not reflected in the general ledger.

Recommendation

We recommend that the Association enforce the credit card use policy as outlined in the Treasurer’s Handbook. In addition, support for all charges should be reviewed, reconciled, posted to the proper group, and reflected in the general ledger in a timely manner.

Management Response

Under the new custodial contract, credit card controls will be stringently enforced by the Association, the Fiscal Agent and the Campus Designee. All credit card purchases will be pre-approved by the Association Comptroller and the Campus Designee. Original receipts must be obtained for all purchases. The Association understands that credit card usage will be reduced and/or removed if adherence to the procedures outlined within the Treasurer’s Handbook does not occur.

3. GENERAL LEDGER ACCOUNT MAINTENANCE AND REVIEW

Finding

During the course of the audit, significant adjustments were proposed to management. The proposed adjustments affected a variety of general ledger accounts, including cash, investments, accounts receivable, accounts payable, prepaid expense, long term liability, net assets, and various income and expense accounts. Most errors identified were the result of insufficient general ledger account maintenance and review. Additionally, there appears to be a lack of knowledge of generally accepted accounting principles which are critical for proper accounting and financial reporting.

Recommendation

We recommend the Association review the internal and external resources available to ensure a proper accounting and financial reporting structure with adequate knowledge of generally accepted accounting principles.

Management Response

The Association’s Fiscal Agent (UAS) now maintains financial reporting of the general ledger accounts, including cash, investments, accounts receivable, accounts payable, prepaid expense, long term liability, net assets, and various income and expense accounts.

4. ADDITIONAL BALANCE SHEET ACCOUNT RECONCILIATIONS

Finding

During the audit we noted a lack of reconciliations performed on additional balance sheet accounts. This included property and equipment, prepaid expenses, accounts payable, accrued liabilities, and agency funds. Without performing reconciliations, inaccurate recording of transactions may occur that would result in incorrect reporting and could impact resources. Balance sheet accounts must be reconciled on a periodic and timely basis to verify that all items are correctly posted to the accounts.
Recommendation

We recommend all balance sheet accounts be reconciled monthly. In addition, reconciliations should be reviewed by a person with adequate knowledge of generally accepted accounting principles.

Management Response

With the new guidance and financial oversight of the Association’s Fiscal Agent, balance sheet accounts will be reconciled and reviewed in a timelier manner. The Fiscal Agent will work closely with the Association to verify property and equipment, prepaid expenses, accounts payable, accrued liabilities, and agency funds materials are up to date and proper documentation is obtained.

5. PURCHASE APPROVAL PROCESS

Finding

During the course of the audit, we noted several significant expenditures that were not formally approved through the Association’s required review and approval process as outlined in the Treasurer’s Handbook. We noted numerous manual checks and wire transfers conducted without proper approval. This may result in inappropriate expenditures.

Recommendation

We recommend that the purchase approval policy be consistently applied for all expenditures.

Management Response

The Association’s Fiscal Agent has now taken on the role of custodian to all bank accounts held by the Association. This new relationship will eliminate the ability to process manual checks and wire transfer without proper approval.

6. UNACCOUNTED FOR TRANSACTION

Finding

During the course of the audit, we identified a transaction related to an investment account withdrawal in the amount of approximately $9,600, which was not accounted for in the accounting records.

Recommendation

We recommend that management investigate this incident. In addition, we recommend that management review and enhance the policies and procedures related to cash management.

Management Response

The Association is in the process of investigating this incident. The Association’s Fiscal Agent has now taken on the role of custodian to all bank and investment accounts held by the Association, and will perform reconciliations on a regular basis. This will reduce the risk for unaccounted for transactions.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Organizations’ internal control to be significant deficiencies:
1. STALED DATED CHECKS

Observation

During our audit we noted that old outstanding checks continue to be carried on the books.

Recommendation

We recommend that the Student Association review the outstanding checklist on a regular basis. Based on that review, consider voiding and reissuing old outstanding checks, or submitting in compliance with the New York State Unclaimed Funds regulations.

2. VACATION POLICY

Observation

During our audit we noted that there was no formal approval and review process of using and tracking vacation times and accruals for all staff.

Recommendation

We recommend that a formal approval and review process of using and tracking vacation times be developed and supervised by a designated person authorized by the Senate.

This communication is intended solely for the information and use of management, Senate, and others within the Organizations, and is not intended to be, and should not be, used by anyone other than these specified parties.

Albany, New York
February 19, 2018