

Schodack Central School District

Extra-Classroom Activities

JUNE 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Contents

- Report Highlights 1**

- Extra-Classroom Activities 2**
 - How Should the District Safeguard ECA Funds? 2
 - The Faculty Auditor’s Role Was Not Adequately Defined 2
 - How Should ECA Collections and Disbursements Be Accounted For? 3
 - Cash Collections Were Generally Not Supported 3
 - Cash Disbursements Were Generally Supported 4
 - Student Treasurers Were Not Always Involved With Preparing Accounting Records 5
 - Accounting Records Were Generally Supported 5
 - What Do We Recommend? 5

- Appendix A – Response From District Officials 7**

- Appendix B – Audit Methodology and Standards 10**

- Appendix C – Resources and Services 12**

Report Highlights

Schodack Central School District

Audit Objective

Determine whether extra-classroom activity funds (ECA) were adequately safeguarded and collections and disbursements were properly accounted for.

Key Findings

- The faculty auditor does not review ECA records to ensure compliance with the Regulations.
- 62 of the 69 collections reviewed lacked adequate supporting documentation required by the District's policy.
- Student treasurers were not always involved with maintaining club accounting records.

Key Recommendations

- Ensure the faculty auditor reviews ECA records to ensure compliance with the Regulations.
- Ensure that the central treasurer receives adequate supporting documentation in a timely manner for all ECA fund collections that are remitted for deposit.
- Ensure that student treasurers maintain accounting records showing all collections, disbursements and a running cash balance.

District officials generally agreed with our recommendations and indicated they have initiated or planned to initiate corrective action.

Background

The Schodack Central School District (District) serves the Town of Schodack in Rensselaer County and the Town of Stuyvesant in Columbia County.

The elected nine-member Board of Education (Board) is responsible for the District's financial and educational affairs, including extra-classroom activity funds. The Superintendent of Schools is the District's chief executive officer and is responsible for recommending to the Board the staff necessary to fulfill duties related to ECA funds, including the central treasurer, faculty auditor, and faculty advisors.

Quick Facts

2018-19 General Fund Appropriations	\$24 million
Student Enrollment	914
ECA Receipts During Audit Period	\$119,748
ECA Disbursements During Audit Period	\$106,025
Number of Active ECA Clubs	21

Audit Period

July 1, 2017 – January 31, 2019

Extra-Classroom Activities

ECA funds are administered by and for the benefit of the students. Students raise and spend these funds to promote the general welfare, education and morale of all students and to finance the normal and appropriate extracurricular activities of the student body. Funds are usually collected by students from a number of sources (e.g. admissions, membership dues, and sales) and are spent as they see fit within established regulations.

How Should the District Safeguard ECA Funds?

The Regulations of the Commissioner of Education (Regulations) of the New York State Education Department (SED) were formulated to safeguard ECA funds and provide schools with the opportunity to teach students good business procedures through participation in handling the funds and operating a successful business. The Regulations require that the board and district officials adopt and implement policies and procedures to protect ECA fund money. The District's policies and procedures were developed from the Regulations to provide guidance for the safeguarding, accounting and auditing of the District's ECA fund operations.

Each ECA club should have a student treasurer and a faculty advisor to oversee and advise the club members. The board should appoint a central treasurer and a faculty auditor to oversee the management of ECA funds. The central treasurer is responsible for depositing ECA funds, preparing disbursements for signature, maintaining the central accounting records, and reporting the fund's activity to the board on a regular basis. The faculty auditor is responsible for reviewing the extra-classroom financial records, such as deposit slips, payment order requests and accounting records maintained by the central and student treasurers, to determine whether correct procedures are being used to account for ECA funds and also to certify the accuracy of the entries posted to the records and the account balances listed in the accounting records.

The Faculty Auditor's Role Was Not Adequately Defined

At the annual organizational meeting, the Board appoints the claims auditor to the position of faculty auditor. Prior to ECA invoices being paid, the faculty auditor reviews all the proposed disbursements by verifying the club has available funds for the payment for goods or services, ensures the check amount and payee are in agreement with the approved payment request and reviews and approves monthly bank reconciliations and quarterly treasurer reports to the Board. However, the faculty auditor does not review ECA accounting records and cash receipts to ensure compliance with the District's policy.

District officials were unaware of the requirement for the faculty auditor to audit ECA funds for compliance or certifying the accuracy of records maintained by the central and student treasurers because they thought the annual audit of ECA funds by the external auditors was sufficient. By not using the Regulations

to define the faculty auditor's role, there is no periodic review of the central and student treasurers' accounting records by the faculty auditor. Therefore, District officials and the central and student treasurers do not have assurance that the ECA accounting records are correct and there is an increased risk that errors could occur with the maintenance of the records and that they would not be detected or corrected in a timely manner.

How Should ECA Collections and Disbursements Be Accounted For?

Each ECA club has a student treasurer who is responsible for maintaining independent accounting records of collections and disbursements. The student treasurers should maintain accounting records, with the assistance of faculty advisors, to account for all collections and disbursements that include daily running cash balances. It is important for faculty advisors to guide the student treasurers in entering information into their ledgers and to routinely check the student treasurers' account balances.

District procedures require student treasurers to provide adequate support for collections remitted to the central treasurer for deposit. Support can be individual receipts, order slips, participant lists, pre-numbered tickets with a ticket reconciliation report or an inventory of items sold. Faculty advisors are responsible for ensuring that student treasurers maintain supporting evidence for all collections.

Good business practices require student treasurers and faculty advisors to remit collections to the central treasurer promptly and requires the central treasurer to deposit collections as soon as possible to prevent the loss or misuse of collections. Furthermore, it is important that all collections be remitted and deposited intact (i.e. same amount and form as the collections) to reduce the risk of irregularities occurring with the handling of collections.

The central treasurer should disburse money for ECA clubs only upon receiving payment order forms with the required signatures of the student treasurer, faculty advisor and chief faculty counselor. Disbursements are required to be supported by documentation, such as itemized receipts or invoices to support the expenditures approved for payment. Additionally, District procedures require clubs to remit meeting minutes indicating the club has voted and approved the disbursements.

Cash Collections Were Generally Not Supported

We reviewed 69 cash collections¹ totaling \$48,433 remitted to the central treasurer for deposit to determine whether they were supported by receipts or

¹ See Appendix B for information on our sampling methodology.

some form of documentation and whether they were deposited intact and in a timely manner.

We found 42 (61 percent) collections totaling \$26,639 (55 percent) lacked adequate source documentation which prevented us from determining whether the collections were remitted intact to the central treasurer. Of the 27 remittances where intactness could be determined, 20 collections totaling \$18,835 did not have adequate supporting documentation for the collections remitted for deposit as required by the District's procedures. Therefore, supporting documentation required by the District's procedures existed for only seven (10 percent) of the remitted collections totaling \$2,959 (6 percent).

We could not always determine whether collections were remitted to the central treasurer in a timely manner. In instances where the supporting documentation for the deposit was inadequate or missing, we compared the collection dates documented in club minutes to the date remittances were received by the central treasurer and found 19 (28 percent) collections totaling \$14,051 (29 percent) were not remitted to the central treasurer timely because they were remitted more than seven days after the collection date. Additionally, 46 (67 percent) collections totaling \$30,305 (63 percent) were remitted to the central treasurer without adequate documentation, such as collection date, and we were not able to utilize club minutes to determine the dates of events for which collections were related to, therefore we were unable to determine if collections were remitted timely. As a result, we could only determine four (6 percent) collections totaling \$4,077 (8 percent) were remitted to the central treasurer in a timely manner.

Without adequate documentation of the collections, the central treasurer is unable to ensure that all money collected by the ECA clubs were accounted for and properly remitted for deposit. We determined that the central treasurer did not always enforce the policies and accepted collections for deposit that did not contain required supporting documentation. When student treasurers do not maintain adequate documentation to support collections, District officials cannot ensure student treasurers, and the faculty advisors assisting the students, are adequately accounting for all the ECA clubs' collections and remitting them to the central treasurer.

Cash Disbursements Were Generally Supported

We reviewed 52 cash disbursements totaling \$32,068 made on behalf of ECA clubs to determine if they were adequately supported and for a legitimate purpose. Except for three disbursements in the amount of \$395 that lacked supporting documentation and two cash disbursements that had sales tax of \$10 paid on items resold, ECA cash disbursements were supported and were for legitimate ECA purposes.

Student Treasurers Were Not Always Involved With Preparing Accounting Records

We interviewed six faculty advisors who represented nine different clubs and asked if students were involved with the maintenance of the clubs' accounting records. Of the nine clubs, five had student treasurers actively maintaining records with the assistance of the advisors and four had advisors maintaining the accounting records without student involvement.

The faculty advisors were unaware of the requirement that student treasurers be involved with preparing the accounting records. However, the Director of Business and accounts payable clerk informed us that faculty advisors are provided with a copy of the District's policy which states student treasurers are responsible for maintaining the records with the assistance of the faculty advisors. Managing the finances of ECA activities is supposed to be a learning experience for club members. By not properly managing and accounting for ECA finances, students miss this learning opportunity.

Accounting Records Were Generally Supported

We reviewed the accounting records for the 69 collections and 52 cash disbursements aforementioned above and all 121 transactions could be traced to the central accounting records. Additionally, except for the two disbursement omissions on the clubs' records, all transactions were accurately recorded on the ECA clubs' accounting records. By maintaining accurate accounting records, students and District officials have a better awareness of the clubs' financial activities such as total collections and disbursements and the available cash balances for the clubs.

What Do We Recommend?

District officials should:

1. Use the Regulations to define the faculty auditor's role.

The faculty auditor should:

2. Oversee the management of the ECA fund money in accordance with the District policy and the Regulations. Specifically, the auditor should audit cash collections to ensure District procedures are being followed and perform periodic comparisons between students' and the central treasurer's records and investigate any discrepancies.

The faculty advisors should:

3. Ensure that the central treasurer receives adequate supporting documentation in a timely manner for all ECA fund collections remitted for deposit.
4. Ensure that student treasurers maintain ECA club accounting records showing all collections, disbursements and a running cash balance.

Appendix A: Response From District Officials



Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
Glens Falls Regional Office
One Broad Street Plaza
Glens Falls, NY 12081

June 13th, 2019

Dear Mr. Leonard,

Thank you for allowing our Board of Education Representatives and School Officials to meet with your auditors on May 29, 2019 to review the Draft Report Examination: Extra-Classroom Activities 2019M-85. With all the various areas that were reviewed by your audit team we appreciate the thoroughness of the review into the Extra-Classroom Activities area of our operation. You will find our corrective action plan below that addresses each of the recommendation made by your auditors.

Audit Recommendation:

District officials should:

1. Use the Regulations to define the faculty auditor's role.

Implementation Plan of Action(s):

The Faculty Auditor will be clearly named at the Board of Education's Reorganization Meeting every July. The duties of this role will be to review extra-classroom financial records, such as deposit slips, payment order requests, and accounting records maintained by the central and student treasurers, to determine whether correct procedures are being used to account for ECA funds and also to certify the accuracy of the entries posted to the records and the account balances listed in the accounting records.

Implementation Date:

District Reorganization Meeting, July 2019

Person Responsible for Implementation:

Business Administrator

The faculty auditor should:

2. Oversee the management of the ECA fund money in accordance with the District policy and the Regulations. Specifically, the auditor should audit cash collections to ensure District procedures are

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being followed and perform periodic comparisons between students' and the central treasurer's records and investigate any discrepancies.

Implementation Plan of Action(s):

The faculty auditor will periodically (not less than 2 x's per year) audit each extra-classroom activity where there has been financial transactions. Periodic comparisons between students' and the central treasurer's records will be made, any discrepancies will be investigated and reported to the Business Administrator.

Implementation Date:

Comparisons will begin in the 2019-2020 school year and continue on a yearly basis.

Person Responsible for Implementation:

Faculty Auditor

The faculty advisors should:

3. Ensure that the central treasurer receives adequate supporting documentation in a timely manner for all ECA fund collections remitted for deposit.

Implementation Plan of Action(s):

The central treasurer will require all collections of extra-classroom activities monies be with completed documentation as required by the District established procedures. Remittances that are received incomplete or without proper supporting documentation will be returned to the club and will not be accepted until all necessary documentation is completed and returned.

A newly created deposit slip will be provided to all extra-classroom activities at the start of the 2019-2020 school year. This newly created slip will require the date of the event to be filled in as well as check boxes for required documentation to act as a guide for the user to better understand what is considered a complete deposit package.

Training will take place at the beginning of the 2019-2020 school year and take place annually to ensure that all deposits be submitted to the business office within seven (7) business days after the event takes place.

Implementation Date:

These changes will take place at the beginning of the 2019-2020 school year and will remain in effect from that point forward.

Person Responsible for Implementation:

Business Administrator and Central Treasurer

4. Ensure that student treasurers maintain ECA club account

Implementation Plan of Action(s):

The Schodack Central School district will continue to require a student treasurer for all extra-classroom activities as we have in the past. The purpose, importance and requirements of the role of the student treasurer will be explained at our annual training each year. Procedures will be implemented to ensure that faculty advisors better understand student responsibilities with all financial activities within their club.

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Implementation Date:

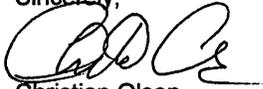
Fall of 2019.

Person Responsible for Implementation:

Central Treasurer and Business Administrator

The Board of Education, administration and staff at Schodack are committed to fiscal integrity and accountability in the stewardship of district assets. Implementation of the aforementioned corrective action plan will strengthen the district ability to meet that commitment. Thank you for the opportunity to respond to your preliminary draft audit report.

Sincerely,



Christian Olsen

President, Board of Education

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Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed SED guidance for ECA clubs, Board adopted policies and the District's procedures for ECA funds.
- We judgmentally selected the highest quarter of ECA clubs' receipt activity in 2017-18 and reviewed all receipts and all disbursements for the selected months. In 2018-19,² we judgmentally selected the highest two months of receipt activity and reviewed all receipts and all disbursements for the selected months.
- We reviewed 69 collections totaling \$48,433 made by 20 clubs to determine whether ECA clubs issued and maintained receipts or some other form of documentation to support collections, accurately accounted for them in the records and remitted them to the central treasurer for deposit intact and in a timely manner. Whenever ECA club records were inadequate, if possible, we performed additional testing such as reviewing deposit compositions to determine whether all collections were remitted to the central treasurer intact.
- We reviewed 52 disbursements totaling \$32,068 made from 19 club accounts to determine whether they were supported by approved payment forms and itemized receipts or invoices and if the clubs accurately accounted for them in the records.
- We compared the central treasurer's accounting records to the student treasurer's accounting records to determine if all entries are supported and both sets of records were accurate for our sample months.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

² The District implemented new procedures in November 2018.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the District Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

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www.osc.state.ny.us/localgov/index.htm

Local Government and School Accountability Help Line: (866) 321-8503

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