



East Williston Union Free School District

Extra-Classroom Activities

Report of Examination

Period Covered:

July 1, 2014 – September 30, 2015

2016M-103



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the East Williston Union Free School District, entitled Extra-Classroom Activities. This audit was conducted 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.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The East Williston Union Free School District (District) is located in the Town of North Hempstead, Nassau County. The District is governed by the Board of Education (Board), which is composed of five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The District operates three schools with about 1,700 students and 370 employees. The District's expenditures for the 2014-15 fiscal year were approximately \$56 million, funded primarily with State aid, sales tax, real property taxes and grants.

An extra-classroom activity (ECA) is an organization within a school district whose activities are conducted by students and whose financial support is raised and spent by students. Each ECA club has a faculty advisor to advise and assist the student treasurer in the clubs' record keeping activities. Additionally, the Board appoints a Central Treasurer who has custody of ECA club funds and also a faculty auditor.

Objective

The objective of our audit was to review the District's cash receipt process over ECA funds. Our audit addressed the following related question:

- Did the Board ensure that ECA cash receipts were collected, recorded and deposited properly?

Scope and Methodology

We examined ECA cash receipt procedures and practices for the period July 1, 2014 through September 30, 2015.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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.

**Comments of
District Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, 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, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next 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. The Board should make the CAP available for public review in the District Clerk's office.

Cash Receipts

The Regulations of the Commissioner of Education (Regulations)¹ of the New York State Education Department (SED) are formulated to help safeguard ECA funds. Regulations require the Board to safeguard, account for and audit all ECA money received and derived from extra-classroom activities. This includes adopting and implementing policies and procedures that describe the records District personnel and students are to maintain and the duties and control procedures that they are to use. The Regulations recommend that the Central Treasurer issue a duplicate receipt when collecting funds from the ECA clubs. The District's written guidelines require bank deposit forms to be prepared by the ECA clubs and that all funds collected by ECA clubs be deposited within 24 hours of collection.

District officials have put some controls in place to ensure that ECA funds are collected, recorded and deposited properly. The District's guidelines require that ECA clubs prepare a School Deposit Form (Form) for amounts deposited with the Central Treasurer. The Form indicates the name of the ECA club, the activity the funds were collected for, the total and the composition of the funds (i.e., bills, coins and checks). The Form is signed by the student treasurer and faculty advisor and, for receipts over \$500, is also signed by the high school Principal. The Central Treasurer signs the Form when the funds are being deposited in the bank. After receiving the funds from the ECA clubs and counting the amount collected in the presence of the faculty advisor, the Central Treasurer records each receipt in a manual cash receipts log and in a computerized ledger. The Central Treasurer records the receipts in a computerized ledger before or after the amounts are deposited at the bank. After the funds are deposited, the Central Treasurer issues a receipt to the ECA clubs.

District officials did not ensure that the cash receipts process for ECA funds were administered in accordance with District guidelines and those of the Commissioner of Education. Bank deposit slips are usually not prepared by the ECA clubs as required by the District's written guidelines. Instead they are prepared by the Central Treasurer who also deposits the funds in the bank. Additionally, the Central Treasurer did not issue pre-numbered duplicate receipts for all funds placed in her custody, funds are not always deposited in a timely manner and bank deposit slips are not always prepared by the ECA clubs.

¹ The Regulations provide additional guidance on how school districts should set up, account for and manage ECA clubs in the publication entitled: *The Safeguarding, Accounting, and Auditing of Extra-classroom Activity Funds* (Finance Pamphlet 2), available at http://www.p12.nysed.gov/mgtserv/accounting/extra_classroom_activities_fund.html.

During the 2014-15 fiscal year, the District recorded receipts totaling \$216,573 from 32 ECA clubs. We traced 17 deposits totaling \$9,730² from six of the clubs³ from the bank statement to the cash receipt log, the Central Treasurer's ledger and Form to determine if the deposits were complete and recorded accurately. We found all items were recorded accurately and were complete. We also selected 24 Forms totaling \$104,019⁴ from the six⁵ clubs. We traced the Forms to the Central Treasurer's cash receipts log, ledgers and the bank statements to determine if the receipts were recorded accurately and deposited complete, intact and timely. We found that all receipts were recorded accurately and deposited complete and intact.

Late Deposits – The Central Treasurer indicated that the date on the Form usually represents the day when the ECA club brings the funds to the Central Treasurer's office and an official count is done. She informed us that, in some instances, there may be a one or two day lag between the date the funds are brought to the Central Treasurer and the date of the official count which is reflected on the Form. Because the Central Treasurer does not issue duplicate receipts when collecting funds from the ECA clubs, the actual date that the money was received is not documented. Therefore, we used the date on the Form as the date of collection and compared that date to the bank deposit date to determine if funds were deposited timely.

We found that 15 of the 24 receipts totaling \$72,511 were not deposited within 24 hours of the date indicated on the Form, as required by the District's written guidelines. Three of these receipts totaling \$6,686 were deposited between six and 22 days after the date noted on the Form. For example, a receipt for \$602 with a Form date of October 30, 2014 was deposited on December 3, 2014, 34 days after the funds were collected and counted with the faculty advisor.

Duplicate Receipts – The Central Treasurer generally issued duplicate receipts after the funds were deposited in the bank, instead of issuing the receipts when the funds were received from ECA club representatives. The student treasurers, faculty advisors or both provided the Central Treasurer with the Form, along with the collections, that generally included the activity name, type and date of the fundraiser and the composition and total of the collections remitted for deposit. However, the Form was not always prepared on the date the funds were brought to the Central Treasurer. In those instances, there would be no record of the funds that are placed in the Treasurer's custody from the date the funds are remitted to the Central

² See Appendix B for sampling methodology.

³ The total receipts for the six clubs were \$124,328, including interest earned.

⁴ See Appendix B for sampling methodology.

⁵ We reviewed the six clubs with the highest number of receipts.

Treasurer until the date the Form is prepared. The Central Treasurer issued duplicate receipts to the clubs after the funds were deposited in the bank for 22 of the 24 Forms⁶ reviewed, totaling \$102,545. For example, the Central Treasurer issued duplicate receipts for \$12,685 and \$5,235, 12 and 14 days after the funds were deposited in the bank, respectively.

As a result, there is an increased risk that ECA money could be lost or misused. Additionally, District officials' assurance that funds were accurately recorded and deposited intact has been reduced.

Bank Deposits – We also found that bank deposit slips were not always prepared by ECA club personnel as required by the District's guidelines. Only one of the six ECA clubs prepares its own deposit slips. The Central Treasurer completes the deposit slips for the remaining five clubs. ECA clubs do not receive a copy of the deposit slips stamped by the bank. Instead, the Central Treasurer issued a Treasurer's receipt to each club after the deposit was made.

There is a Board-appointed faculty auditor who compares the Form to the Treasurer's ledger. However, there is a risk that funds placed in the Central Treasurer's custody may be misappropriated because duplicate receipts are not issued at the time funds are received, deposits are not made in a timely manner and most bank deposit slips are not prepared by ECA club personnel.

Recommendations

The Board should:

1. Ensure the Central Treasurer issues pre-numbered receipts to the ECA clubs at the time funds are placed in her custody. The Central Treasurer should sign and date the receipt and provide a copy to the faculty advisor.

District officials should:

2. Ensure that all receipts are deposited in a timely manner.
3. Ensure that bank deposit slips are prepared by the ECA.

⁶ One receipt was issued on the same day that the funds were deposited in the bank, and the other receipt was issued the day before it was deposited.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.



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DR. ELAINE KANAS
Superintendent of Schools

North Side School
Willetts Road School
The Wheatley School

May 12, 2016

Ira McCracken, Chief Examiner
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Hauppauge, NY 11788-5533

Re: East Williston Union Free School District
Extra-Classroom Activities
Report of Examination 2016M-103

Dear Mr. McCracken,

The East Williston Union Free School District is in receipt of the draft audit report *Extra-Classroom Activities* for the period July 1, 2014 – September 30, 2015. The District is in agreement with the recommendations made in the report and has already implemented the corrective action plan as noted in this letter.

The Board of Education and the District Administration continually strive to implement best practices and procedures to safeguard the financial integrity of the District on behalf of our students and tax payers. We would like to express our appreciation to the Office of the State Comptroller and the local field staff who made this audit a positive experience and for providing recommendations to improve our Extra Classroom Activity Fund processes.

While we certainly appreciate the recommendations to improve the timeliness of our extra-curricular deposits and to provide more detailed receipt procedures we are pleased that all of the deposits reviewed were complete and recorded accurately.

We have reviewed the audit report and agree with the three findings below. Please accept this as our response letter and corrective action plan.

Audit Recommendation:

The Board should ensure the Central Treasurer issues pre-numbered receipts to the ECA clubs at the time funds are placed in her custody. The Central Treasurer should sign and date the receipt and provide a copy to the faculty advisor.

Implementation Plan of Action(s):

The Central Treasurer is providing a pre-numbered receipt to the faculty advisor for each deposit at the time the funds are placed in her custody. These receipts are signed and dated by the Central Treasurer.

Implementation Date:

April 18, 2016

Person Responsible for Implementation:

Central Treasurer for the Extra Classroom Activity Fund

Audit Recommendation:

District officials should ensure that all receipts are deposited in a timely manner.

Implementation Plan of Action(s):

Receipts from the extra-curricular activities are deposited every Wednesday and Friday each week. The Central Treasurer ensures there is not a delay of club deposits to the bank. The delayed deposits identified in the report were during a period of time, Fall 2014, when the district was experiencing turnover of the Central Treasurer.

Implementation Date:

April 18, 2016

Person Responsible for Implementation:

Central Treasurer for the Extra Classroom Activity Fund

Audit Recommendation:

District officials should ensure that bank deposit slips are prepared by the ECA.

Implementation Plan of Action(s):

The ECA prepares the bank deposit slips for each bank deposit. The Central Treasurer is no longer preparing the bank deposit slips.

Implementation Date:

April 18, 2016

Person Responsible for Implementation:

Central Treasurer for the Extra Classroom Activity Fund

Regards,

Dr. Elaine Kanas
Superintendent of Schools

cc: East Williston UFSD Board of Education
Jacqueline Pirro, Assistant Superintendent for Business

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials and employees, including the Central Treasurer and faculty auditor, to gain an understanding of the procedures and practices regarding cash receipts for the ECA clubs.
- We reviewed the District's written guidelines and Regulations regarding ECA funds to determine if District officials enforced the recommended and required cash collection procedures.
- We reviewed Forms; the Central Treasurer's manual cash receipts log, ledger, and receipts issued to ECA clubs; bank deposit slips and bank statements to determine if deposits were recorded properly and deposited complete, intact and timely.
- We selected the six ECA clubs (about 20 percent of all clubs) with the largest dollar amount of receipts in the 2014-15 fiscal year. We interviewed the faculty advisors for the clubs to gain an understanding of the practices and procedures regarding club cash collections.
- We traced 24 Forms to the Central Treasurer's cash receipts logs, ledgers, receipts and bank statements to determine if receipts were recorded accurately and deposited complete, intact and in a timely manner. To achieve this, we selected the largest receipts from each of the six clubs. Based upon the total number of receipts each club had in the 2014-15 fiscal year, we selected the following number of receipts: Club A – six receipts, Club B – four receipts, Club C – four receipts, Club D – one receipt, Club E – three receipts and Club F – six receipts.
- We traced 17 deposits from the bank statements to the Central Treasurer's ledgers, manual cash receipts log and Forms to determine if receipts were deposited complete and recorded accurately. To achieve this we selected the largest receipts which were not tested in the previous test mentioned above. Based upon the total number of receipts each club had in the 2014-15 fiscal year, we selected the following number of deposits: Club A– four, Club B – three, Club C – three, Club D – one, Club E – two and Club F – four.

We conducted this performance audit in accordance with GAGAS. 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.

APPENDIX C

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