



Roslyn Union Free School District

Cash Receipts

Report of Examination

Period Covered:

July 1, 2014 – April 30, 2016

2016M-241



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

September 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 Roslyn Union Free School District, entitled Cash Receipts. 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 Roslyn 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 seven 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 five schools with approximately 3,300 students and 750 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$104 million, which were funded primarily with State aid and real property taxes.

Objective

The objective of our audit was to determine if the District has properly safeguarded its cash receipts. Our audit addressed the following related question:

- Are internal controls over cash receipts appropriately designed and operating effectively to safeguard the District's assets?

Scope and Methodology

We examined internal controls over the District's cash receipts for the period July 1, 2014 through April 30, 2016.

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 plan 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

New York State Education Department regulations (Regulations)¹ include provisions to help safeguard school district receipts. Regulations require the Treasurer to acknowledge the receipt of moneys with prenumbered duplicate receipts. Employees who receive moneys on behalf of the District, other than the Treasurer, must issue prenumbered receipts in triplicate. A good system of internal controls over cash receipts helps ensure that all moneys received by the Treasurer are properly accounted for and deposited in a timely manner and intact.² Such controls include policies and procedures that address the collection, recording and depositing of cash, and issuance of receipts.

As there are no statutory or regulatory rules that address the time frame within which cash receipts should be deposited, it is incumbent upon the Board to define a specific time frame for depositing cash receipts into the District's official depositories. Good business practices generally require that deposits be made within 10 days of receipt.

District officials have put controls in place to ensure that money is collected, recorded and deposited properly. Money is received in the District office and other building locations throughout the District. Board policy requires a prenumbered triplicate receipt to be issued for all cash received and that funds be deposited without delay. In addition, the policy requires individuals collecting money outside of the District office to prepare a Deposit Record Form (Form) to accompany money to be deposited by the Treasurer. The Form indicates the name of the individual who received money, the purpose of the money received, the date of transfer to the District office, a listing of check numbers and amounts and the total cash transferred to the District office.

Upon receipt of money at the District office, either from other buildings or directly, the District's administrative assistant will prepare a press-numbered triplicate receipt.³ The Form and all receipts are photocopied and provided to another District office employee who records the receipts into a spreadsheet separate from the District's

¹ The Regulations provide guidance on how school districts should account for Treasurer's receipts in the publication entitled *Accounting and Auditing: Treasurer's Receipts*, available at <http://www.p12.nysed.gov/mgtserv/accounting/treasurer.html>.

² Intact means in the same amount and form (cash or check) as received.

³ When money is received directly at the District office, the administrative assistant prepares a Form in addition to a press-numbered triplicate receipt.

accounting system. A third employee records the actual receipts in the District's financial accounting system and prepares the receipts for deposit. The District Accountant reconciles the spreadsheet and accounting system when the receipts are deposited in the bank.

During our audit period, the District recorded receipts totaling \$349,093. We traced 30 receipts totaling \$40,203⁴ from the District's press-numbered receipt book to bank statements to determine if the deposits were intact and recorded accurately. We found all cash receipts were recorded accurately and deposited intact.

Press-Numbered Receipts – As indicated above, press-numbered triplicate receipts are generally issued at the District office for all money received. Our audit test of 30 receipts included 15 receipts totaling \$30,231 that originated at building locations outside of the District office. These 15 receipts comprised 463 individual cash receipts collected at building locations. District officials told us that they do not issue a press-numbered triplicate receipt for money received in building locations other than the District office.

In some instances, such as for student testing fees, the District retains documentation of the transaction. However, the documentation does not directly associate with a receipt, either by cash amount or check number. Additionally, the documentation is not press-numbered. For example, a receipt for \$8,740 collected from students for entry into the PSAT exam comprised 284 checks. While a nonpress-numbered two-ply form was used for each payment made, the form only listed a last name of the payer and a stamped date. Without specific information detailing the type of payment, the amount and, if applicable, a check number, District officials were unable to reconcile receipts with amounts deposited. In addition, District officials did not maintain an index of press-numbered receipts and, therefore, could not provide documentation that all money received was recorded.

Late Deposits – The District's cash receipts policy indicates that funds are to be deposited without delay, but it does not specify a maximum limit for the time between receipt and deposit. The administrative assistant indicated that the date on the Form represents the day when money is prepared for transfer to the District office. Therefore, we used the date on the Form as the date of collection and compared that date to the bank deposit to determine if funds were deposited in a timely manner. Our audit test of 30 receipts included eight receipts that were held between 11 and 30 days before being deposited in the District's bank accounts.

⁴ See Appendix B for sampling methodology.

These discrepancies occurred because District officials had not adequately implemented procedures to ensure that money received was properly receipted at building locations or deposited in a timely manner. Additionally, the Board-adopted cash receipts policy did not clearly indicate a time limit for depositing receipts into the District's bank accounts. As a result, there is an increased risk that receipts could be lost or misappropriated without detection.

Recommendations

The Board should:

1. Require that District officials issue press-numbered triplicate receipts at all District locations.
2. Ensure that all receipts are deposited on a timely basis, including those transferred to the District office from other building locations.
3. Modify its policy to specify the maximum time allowable between receipt and deposit of funds received within the District.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

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SLYN

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August 29, 2016

Mr. Ira McCracken, Chief Examiner
New York State Office Building
Room 3A10
250 Veterans Highway
Hauppauge, NY 11788-5533

Dear Mr. McCracken:

The Roslyn Union Free School District is grateful for the thoughtful and comprehensive review of our financial practices, systems and controls which was conducted over the past several months by your staff. We especially appreciate and recognize of the efforts of our Citizens Audit Advisory Committee, our internal and external auditors, and our Business Office staff. Your report affirms the extensive efforts made by the Board of Education over the past 10 years in restoring the faith of our community in the integrity of our financial system, the protection of taxpayer dollars, and the successful exercise of our fiduciary responsibilities.

We have taken note of your recommendation with respect to receipt of funds at locations other than our central office. Upon receiving the recommendation, we immediately implemented a new practice concerning the use of triplicate press-numbered receipts at the building level in place of the current practice of duplicate receipts and/or deposit record forms. We are also preparing a revision to the board policy which will outline the timeline for deposits of district funds. Because we have such a detailed process which involves five separate people each time funds are received (the secretary at the building who actually receives the funds; the administrative assistant in the assistant superintendent's office who collects the funds

from all locations and issues triplicate press-numbered receipts; the secretary in the curriculum office who, independently from the accounting system, tracks the receipts on a spreadsheet; the account clerk in the business office who prepares the deposit slip; and our district accountant who reconciles the activity) to insure that each receipt is handled properly, we will be recommending that the timeline for deposits be limited to no more than 15 business days from the date received.

Once again, please accept our thanks for the professional nature of the review conducted by your staff and your help in strengthening our practices.

Sincerely

Meryl Waxman Ben-Levy
President, Board of Education

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District staff to gain an understanding of the cash receipts process.
- We reviewed District policies and procedures over cash receipts.
- We randomly selected a sample of 30 receipts from a list of 186 cash receipts totaling about \$349,000 received during our audit period.
- We traced all 30 receipts to the cash receipts logs, ledgers, supporting documentation and bank statements to determine if the receipts were recorded accurately and deposited intact and in a timely manner.
- For receipts that originated in locations outside of the District office, we requested supporting documentation, including forms issued to students after paying for placement tests.

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.

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