



# Sewanhaka Central High School District Student Fees

## Report of Examination

Period Covered:

July 1, 2014 – January 31, 2016

2016M-296



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

November 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 Sewanhaka Central High School District, entitled Student Fees. 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 Sewanhaka Central High School District (District) is located in the Town of Hempstead, Nassau County and comprises four Union Free School Districts (UFSD): Elmont, Floral Park-Bellerose, Franklin Square and New Hyde Park-Garden City Park. The District is governed by the Board of Education (Board), which is composed of eight appointed members. Each UFSD board annually appoints two of its elected members to serve on the District's Board for one year, in addition to their duties at the UFSD. 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 Assistant Superintendent for Finance and Operations is responsible for overseeing the District's Business Office, including the collection of student fees.

The District operates five high schools with approximately 8,600 students and 1,490 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$178.8 million, which were funded primarily with real property taxes and State aid.

## Objective

The objective of our audit was to examine the collection of student fees for test preparation classes, advanced placement exams and driver education classes. Our audit addressed the following related question:

- Were student fees properly accounted for and deposited intact<sup>1</sup> and in a timely manner?

## Scope and Methodology

We examined the collection of student fees for the Sewanhaka Central High School District for the period July 1, 2014 through January 31, 2016. We extended our scope to March 31, 2016 for advanced placement exams because some deposits included money that was collected after the end of our audit period.

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.

<sup>1</sup> Intact means in the same order and form (e.g., cash or check) in which they are received.

**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.

## Student Fees

The Board is responsible for adopting policies and procedures to help ensure that cash is properly recorded, accounted for and deposited in a timely manner. Once established, District officials are responsible for ensuring that these controls are routinely monitored and operating properly. In addition, officials should adequately separate duties so that the same individual does not control all phases of a transaction. When it is not practical to segregate duties, because of limited staffing, District officials must establish compensating controls. The New York State Commissioner of Education's regulations require that employees who receive District money, other than the Treasurer, must issue press-numbered receipts in triplicate where one copy goes to the Treasurer, one goes to the payee and one is retained in the records of the employee. The purpose of this regulation is to establish an audit trail for internal control and to protect the Treasurer in the receipt of funds. All receipts, bank deposit slips and related records from sales transactions should be retained to enable one to trace the money from point of collection to deposit. Any discrepancies between cash deposits and supporting documentation should be immediately investigated and resolved.

Students register for Preliminary Scholastic Aptitude Tests (PSAT) and Advanced Placement (AP) exams at the guidance office in their respective high schools. The District also offers test preparation classes to students for the Scholastic Aptitude Test (SAT) and PSAT. Payments for these classes and exams are made to the five finance clerks at the students' respective high schools who prepare the deposits. The District also offers driver education classes to students during the school year. Payment and registration forms for driver education classes are mailed to the athletic office. The athletic office secretary registers students for driver education classes and prepares these deposits. From July 1, 2014 through January 31, 2016 the District had deposits of \$516,212 for exam and preparation class fees and \$122,520 for driver education classes.

The Board does not have a policy on cash receipts. While District officials presented us with a copy of written procedures on handling cash receipts and deposits, the procedures do not address issuing triplicate receipts, recording the date and form of payment or conducting an independent review of amounts collected and deposited. In addition, the written procedures have not been distributed to the finance clerks or athletic office secretary. As a result, they have developed their own procedures and each one accounts for cash receipts differently. While the athletic office secretary did not issue receipts, cash from driver

education fees was generally accurately recorded and deposited intact and in a timely manner. Although none of the finance clerks issue triplicate receipts, three finance clerks do issue receipts, but only for cash payments. Four of the finance clerks had no record of the dates money was collected or the forms of payment. As a result, District officials lack assurance that cash receipts were deposited intact and in a timely manner.

In addition, some of the finance clerks kept student registration forms, class rosters or other supporting documentation, while others did not. For example, we compared class rosters and registration forms for the spring 2015 SAT preparation classes to deposits totaling \$58,060. While deposits for four schools generally agreed with the class rosters, one of the schools did not have the student registration forms and only had partial class rosters for the SAT preparation classes. The class rosters showed 34 students, but deposit records showed 51 students. District officials told us that two of the classes were later canceled and those students were moved to other sections, but did not provide updated class rosters. This resulted in \$2,885 more in deposits when compared to the number of students on the class rosters.

Finally, no one was responsible for reconciling what was collected with what was deposited, and in some instances there were insufficient records to allow for a reconciliation. For example, for AP exams in one school, payments were indicated on a spreadsheet with an “X” next to the students’ names, with an amount or “PIF,” for paid in full, in the balance column. It was not clear what the exact amount paid was or when it was paid. There were no dates listed and no indication of whether payments were made by cash or check. Using the information on the spreadsheet and explanations provided, we calculated \$38,609 in AP fees collected at this high school for the 2014-15 school year. However, the deposit records show that \$40,664 in AP fees was deposited.

Because District officials did not develop, distribute and implement written procedures for the handling of cash receipts, cash has been collected without sufficient documentation and oversight. Without adequate documentation and an independent reconciliation of amounts collected, District officials do not have adequate assurance that the money received was properly recorded and deposited in the bank intact and in a timely manner.

## **Recommendations**

The Assistant Superintendent for Finance and Operations should:

1. Develop and distribute written procedures for the collection, recording and deposit of student fees, and for the reconciliation between cash receipts and deposits.

2. Ensure that all transactions are properly receipted with triplicate, press-numbered receipts.
3. Ensure that sufficient supporting documentation, such as receipts, registration forms and class rosters, is available and used to reconcile payments to deposited amounts by someone independent of the collection process.



## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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



## **SEWANHAKA CENTRAL HIGH SCHOOL DISTRICT**

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**Ralph P. Ferrie, Ed.D.**  
*Superintendent of Schools*  
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October 13, 2016

Mr. Ira McCracken, Chief Examiner  
Office of the State Comptroller  
NYS Office Building  
250 Veterans Memorial Highway  
Room 3A10  
Hauppauge, NY 11788-5533

Re: District Response and Corrective Action Plan to OSC Audit 2016M-296

Dear Mr. McCracken:

This letter will serve as the District's response to the draft audit, and the Corrective Action Plan to the recommendations made in the audit.

The Sewanhaka Central High School District has always stressed the fact that it has provided a quality education to all students while maintaining itself as a district which has one of the lowest ratios in Nassau County of expenditures per pupil, and recognizing that this ratio was comparable to a group of elementary districts that primarily educated students in grades K through 6. It also has stressed having a strong set of controls over its financial management of the general fund, school lunch program, federal and local grants and its recently-approved capital bond projects.

The audit that was conducted examined the collection of Student Fees for exams, test-preparation classes and Drivers Education classes. The audit pointed out that there were no specific written procedures being used, nor in existence. However, there were procedures that were orally communicated to the Finance Clerks as they were trained by their predecessors. The findings and recommendations from this audit pointed out some areas where the District can strengthen its controls over collection of cash for these activities, and will also assist the District in its review of all of its Business Office procedures.

Elmont Memorial High School • Floral Park Memorial High School  
H. Frank Carey High School • New Hyde Park Memorial High School • Sewanhaka High School

## OSC Audit Recommendations:

### **1. Develop and distribute written procedures for the collection, recording and deposit of student fees; and for the reconciliation between cash receipts and deposits.**

*District Response:* In most cases, the five finance clerks were taught their role and responsibilities by their predecessor, and were not given a written set of standardized procedures. As time progressed, each individual may have customized their procedures, resulting in various methods to perform the same task.

#### Implementation Plan of Action:

To remedy this, the District Business Office will:

- a. Develop and distribute written procedures for the specific role and responsibilities of the Finance Clerk in each of the five high schools. This will include, but not be limited to, detailed procedures for the collection, recording and deposit of student fees, the reconciliation between cash receipts and deposits.
- b. Conduct an annual review class of this procedure manual with the Finance Clerks, and also include the Guidance Chairperson and Guidance Counselors attending this review, to inform them what is expected of students and the Finance Clerks when handling cash collection for the PSAT exam, AP exams and test preparation classes.
- c. Review the existing Business Office Procedures Handbook, including but not limited to the handling of cash receipts, and address any areas where more specifically detailed procedures need amending. (Be more specific)

#### Implementation Date and Person Responsible for Implementation:

The Assistant Superintendent for Finance & Operations will develop the written procedures by November 30, 2016, and will meet with the Finance Clerks, Principals, and Guidance staff to review all procedures for the handling of cash and checks.

### **2. Ensure that all transactions are properly receipted with triplicate, press-numbered receipts.**

*District Response:* The Finance Clerks are supplied with cash receipt books that have triplicate, press-numbered receipts. However, depending on the reason for the collection of cash (i.e. PSAT, AP exam, Drivers Education), the time of the year, or even the time of day, certain times may be extremely hectic and students may be waiting in lines stretching out of the Main Office and down the hall. As a result, at times, the clerks may hasten the process by creating a spreadsheet writing down a list of student names and amounts received.



#### Implementation Plan of Action:

*To ensure that all transactions are properly receipted with triplicate, press-numbered receipts, the District Business Office will:*

- a. Develop and distribute written procedures for the specific role and responsibilities of the Finance Clerk in each of the five high schools. This will include, but not be limited to, detailed procedures for the collection, recording and deposit of student fees, the mandatory distribution of a cash receipt to each student, and a reconciliation between receipts and deposits is performed.*
- b. Make sure that each Finance Clerk has enough inventory of triplicate, press-numbered receipt books, based on the number of transactions processed in prior years.*
- c. Meet with Finance Clerks, Building Principals, and Guidance Chairpeople, and discuss a plan to reduce large gatherings of students making payments at the same time. This would help mitigate the long lines and provide enough time for the Finance Clerks to properly issue a receipt to each student paying with cash or a check.*

#### Implementation Date and Person Responsible for Implementation:

*The Assistant Superintendent for Finance & Operations will develop the written procedures by November 30, 2016, and will meet with the Finance Clerks, Principals, and Guidance staff to review all procedures for the handling of cash and checks. He will also immediately verify that there is enough inventory of triplicate, press-numbered receipt books in each high school building and meet with the Principals and staff to discuss how to proceed with the scheduling of large groups of students who are paying for classes at the Main Office.*

- 3. Ensure that sufficient supporting documentation, such as receipts, registration forms and class rosters are available and used to reconcile payments to deposited amounts by someone independent of the collection process.**

*District Response: Although the Finance Clerks were trained by their predecessors, they were not all provided with training from the central Business Office, nor with standardized procedures. Over time, each may have developed their own procedures, slightly varied from each other, and not providing the sufficient documentation needed to properly reconcile amounts collected to amounts deposited.*

#### Implementation Plan of Action:

*To ensure that sufficient supporting documentation, such as receipts, registration forms and class rosters are available and used to reconcile payments to deposited amounts by someone independent of the collection process, the District Business Office will:*

- a. *Develop and distribute written procedures for the specific role and responsibilities of the Finance Clerk in each of the five high schools. This will include, but not be limited to, detailed procedures for:*
- i. *the collection and recording of cash and checks;*
  - ii. *the proper maintenance of current class rosters;*
  - iii. *the appropriate retention of registration forms for classes;*
  - iv. *the mandatory issuance of triplicate, press-numbered cash receipts to each and every student who makes a payment;*
  - v. *the need for a second individual to perform a reconciliation of the payments received with the amounts deposited.*
- b. *Hold an annual meeting of central Business Office personnel, the Building Principal, and the Finance Clerk, to identify and train a second individual who works in the high school, to perform a reconciliation of the payments received by the Finance Clerk and the amount of money deposited.*

Implementation Date and Person Responsible for Implementation:

*The Assistant Superintendent for Finance & Operations will develop the written procedures by November 30, 2016, and will meet with the Finance Clerks, Principals, and Guidance staff to review all procedures for the handling of cash and checks.*

*The Assistant Superintendent for Finance & Operations will meet with the building principals by November 30, 2016, to discuss the selection of the individual working in the high school who will perform a reconciliation of payments received by the Finance Clerk.*

The Sewanhaka Central High School District is grateful for the work performed by the Office of the State Comptroller, and recognizes that this audit will assist in further strengthening the internal controls of the District.

Sincerely,

Ralph P. Ferrie, Ed.D.  
*Superintendent of Schools*

## **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 key personnel to determine procedures in place for the collection, receipt and the deposit of student fees.
- We traced all student exam, preparation class, and driver education fees collected during our audit period from available records, such as student registration forms and class rosters, to deposit tickets to verify that payments were deposited into District bank accounts.
- Where possible, we traced registration forms to receipts, class rosters and lists of students who paid for classes to verify that students registered for classes paid for the classes and were enrolled in the classes.

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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**AND SCHOOL ACCOUNTABILITY**

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