

Amityville Union Free School District

Extra-Classroom Activity Fund

OCTOBER 2021



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

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Report Highlights

Amityville Union Free School District

Audit Objective

Determine whether the Amityville Union Free School District (District) officials properly collected, receipted, deposited and disbursed extra-classroom activity (ECA) funds.

Key Findings

District officials did not properly collect, receipt, deposit and disburse ECA funds.

- Because officials did not issue duplicate receipts prior to the 2020-21 school year, neither officials nor we could determine whether collections were properly collected, receipted and deposited in full.
- Only five deposits totaling \$4,038, of the 150 deposits totaling \$39,148 that had records (3 percent) were supported.
- The high school clubs' 2018-19 records were lost due to poor controls, leaving no assurance that 2018-19 disbursements were properly authorized and supported.

Key Recommendations

- Adopt an ECA fund policy to ensure that funds are properly collected, receipted, deposited and disbursed.
- Maintain duplicate receipts to document the source, date, amount and purpose of each collection.
- Maintain ECA records, including support for collections and disbursements, for six years.

District officials agreed with our findings and indicated they plan to initiate corrective action.

Background

The District is located in the Town of Oyster Bay in Nassau County and the Town of Babylon in Suffolk County. The seven-member Board of Education (Board) has overall responsibility for the District's financial and educational affairs, including ECA funds.

ECA funds are operated by and for the students. Students raise and spend funds to promote the general welfare, education and morale of all students and finance extracurricular activities.

The Superintendent of Schools is responsible for recommending to the Board the staff necessary to fulfill duties related to extra-classroom activities, including the central treasurer and faculty advisors. The Board appoints a central treasurer responsible for collecting, recording and depositing receipts, and facilitating disbursements from the ECA fund bank accounts for both the high school and middle school.

Quick Facts

Enrolled Students	2,979
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Extra-Classroom Activity

Clubs With Cash Transactions	47
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Audit Period

Collections	\$152,803
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Disbursements	\$127,761
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Audit Period

July 1, 2018 – June 30, 2020

Extra-Classroom Activity Funds

ECA funds are money received from an organization within the school district whose activities are conducted by students, such as clubs, teams and student council. Such activities provide learning experiences to students in the business procedures needed to collect, deposit and disburse money. These funds should be managed by students under the direct supervision of designated district personnel. Money should be collected by the students within an ECA club (club) and can be spent at the discretion of the students within that club as long as they follow the established procedures. ECA funds are derived from a number of sources such as admissions to paid events, sales and donations. District clubs also hold fundraisers to raise money for school trips and sports equipment, and to support charities.

Each club has a faculty advisor (advisor) and a student treasurer. Student treasurers, with the assistance of faculty advisors, should maintain supporting documentation for collections and disbursements, remit funds in a timely manner to the central treasurer, and prepare purchase orders for disbursements.

The District has 56 clubs, 43 in the high school and 13 in the middle school. Only 47 of these clubs had cash transactions during the audit period. The District's ECA funds had deposits totaling \$152,803 and disbursements totaling \$127,761 between July 1, 2018 and June 30, 2020.

How Should ECA Funds Be Safeguarded?

The Regulations of the New York State Commissioner of Education recommend that school districts adopt policies and procedures to safeguard ECA funds. Additionally, they recommend appointing a faculty auditor to reconcile the ECA clubs' records with the central treasurer's records and audit various collections and disbursements transactions to ensure correct procedures are being used. Extra-classroom activity records, including supporting documentation for collections and disbursements, should be retained for six years.

The District's ECA procedures require a receipt to be provided to each person who pays money either as a receipt from a receipt book or register or as a ticket for admission. In those cases where receipts are not practical (e.g., a candy sale), the student treasurer, with the faculty advisor's assistance, should prepare an activity profit and loss statement that determines the exact amount to be realized by the sale in advance. When collecting funds, students should accurately document the source, date, amount, form (cash and checks) and purpose of the amounts collected. Faculty advisors are responsible for ensuring student treasurers maintain supporting evidence for collections.

District procedures also require student treasurers to prepare a deposit form that records cash received, by denomination, which must be reviewed and signed by the faculty advisor and Principal. Procedures also require that clubs remit money

collected to the central treasurer within two business days. Collections should be remitted to the central treasurer intact (in the same amount and form as received), and the central treasurer should record them in a ledger and deposit as soon as possible to prevent the loss or misuse of funds.

District procedures also require a payment form be prepared for all disbursements requested by an ECA club. The payment form lists the vendor's name, payment amount, ECA club name and reason for disbursement. The payment form must be signed by the student treasurer, advisor and Principal before it is submitted to the central treasurer with original invoices and itemized receipts attached. The central treasurer should disburse funds for ECA clubs only upon receiving a payment form with all required signatures. Finally, the District's authorized signatures policy, adopted in March 2014, requires both the student treasurer and central treasurer to sign ECA fund checks.

The Board Did Not Ensure ECA Funds Were Safeguarded

The Board did not adopt an ECA fund policy to provide comprehensive guidance for District officials and students. Instead, it relied on the District's internal auditor to prepare ECA fund procedures and provide staff with annual training. ECA procedures were developed by the District's internal auditor during the 2012-13 fiscal year and training was provided annually, including September 2019 and September 2020 during our audit period. Despite these procedures and training, faculty advisors failed to ensure receipts were issued for cash collections (see next section, Collections Were Not Supported). In addition, the Board did not ensure ECA records were secured. As a result, District officials lost 2018-19 fiscal year cash receipts and disbursements records for the high school clubs. Therefore, there is no identifiable source for a significant amount of the cash collections and disbursements in our test samples (see next two sections). Finally, the Board did not appoint a faculty auditor. Consequently, no one at the District was responsible for comparing the club records with the central treasurer's records – a control that would have detected that source documentation for cash receipts and disbursements were missing – in time to take corrective action.

Collections Were Not Supported

Between July 1, 2018 and June 30, 2020, 40 ECA clubs recorded collections totaling \$152,803. We reviewed deposits totaling \$108,251 from 11 of these clubs. District officials said that collection records for the fiscal year 2018-19 for the high school clubs were lost, including receipts to support \$69,103 of deposits for all 11 clubs in our sample. However, two faculty advisors told us they did not issue duplicate receipts prior to the 2020-21 school year, so we question whether any receipts actually existed for the 2018-19 fiscal year. Because there were no records to review, it was impossible to determine whether these collections were

...District officials lost 2018-19 fiscal year cash receipts and disbursements records for the high school clubs.

properly collected, receipted or submitted timely by clubs to the central treasurer and deposited in full.

Further, only five deposits totaling \$4,038, of the 150 deposits totaling \$39,148 that officials provided records for (3 percent), were supported by receipts or other records documenting the source, date, amount and purpose of the collection. The remaining 145 deposits, totaling \$35,110, for which records were still available, were not supported by receipts or any other record to document the source, date, amount and purpose of each collection (Figure 1). Instead, District officials provided only the central treasurer’s ledger, central treasurer’s receipts, club deposit forms and bank deposit tickets. Figure 2 includes some examples of collections that had no support.

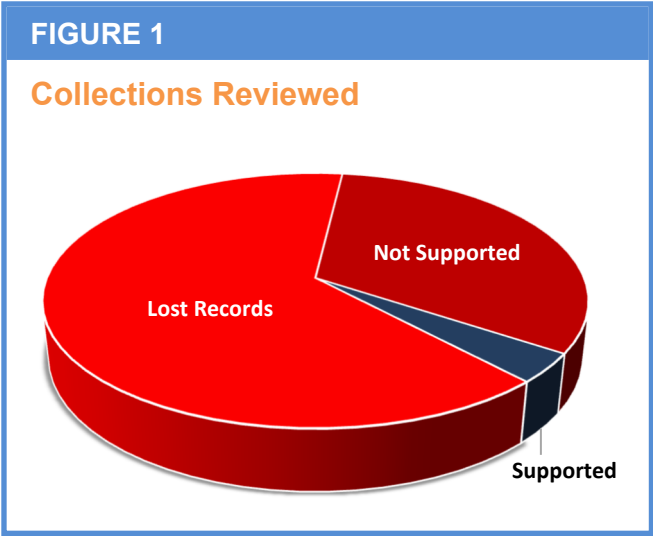


Figure 2: Examples of Collections With No Support

Date	ECA Club	Description	Amount
11/05/19	Class of 2020	Senior Dinner Ticket Sales	\$1,468
01/21/20	High School Band	Chocolate Sale	\$1,323
01/14/20	Boys Basketball	Tournament Fees	\$1,000

Student treasurers completed deposit forms for the 150 deposits that officials provided records for, which were generally signed by the student treasurer, faculty advisor and Principals, as required by District procedures. In addition, the central treasurer deposited these 150 collections in a timely manner, usually within two business days. However, because the clubs did not have receipts or other documentation to support when and in what form (cash or check) collections were received for 145 of the 150 deposits, it is impossible to determine whether any of the collections in our sample were submitted to the central treasurer intact and deposited within two business days of collection, as required by District procedures.

Faculty advisors told us they were not aware that District procedures require a receipt be provided to each person who pays money, even though it is included in the procedures that are distributed annually.

Because supporting documentation such as duplicate receipts were not issued during fundraising activities, and because the records were lost, District officials cannot ensure receipts were properly collected, timely submitted to the central treasurer and deposited in full.

Disbursement Records Were Not Complete

Between July 1, 2018 and June 30, 2020, 43 ECA clubs recorded disbursements totaling \$127,761. We reviewed disbursements totaling \$76,438 from eight clubs. District officials told us the supporting records for 2018-19 high school club disbursements were lost. Therefore, disbursements totaling \$44,605 were not supported by an itemized invoice or receipt, a properly authorized payment order or canceled check image signed by the student treasurer and central treasurer, as required by District policy.

For the remaining disbursements totaling \$31,833, except for minor discrepancies which we discussed with District officials, all disbursements were initiated by a payment form listing the vendor's name, payment amount, ECA club name and reason for disbursement, signed by the student treasurer, advisor and Principal, with original invoices attached, before the central treasurer disbursed the funds. However, none of the checks in our sample were signed by a student treasurer and all checks cleared the bank with only the central treasurer's signature. District officials told us that the District's bank does not require two signatures to process checks. Therefore, the control required by the policy is not implemented.

The District followed prescribed procedures for disbursements transacted during the 2019-20 fiscal year, and for the middle school's transactions in fiscal year 2018-19. However, because the high school clubs' 2018-19 records were lost due to poor controls, the District has no assurance that the high school clubs' disbursements for fiscal year 2018-19, including the four clubs in our sample totaling \$44,605, were properly authorized by a payment order and supported by an itemized invoice or receipt, as required by District policy.

...[D]isbursements totaling \$44,605 were not supported by an itemized invoice or receipt, a properly authorized payment order or canceled check image...

What Do We Recommend?

The Board should:

1. Adopt an ECA fund policy to provide comprehensive guidance for District officials and students to ensure funds are properly collected, receipted, deposited and disbursed.
2. Appoint a faculty auditor to reconcile ECA club records to the central treasurer's records and audit various collections and disbursements transactions to ensure correct ECA procedures are used.
3. Ensure officials are complying with the check signing policy.

District officials should ensure:

4. ECA records, including support for collections and disbursements, are maintained for six years.

Club advisors should ensure:

5. Duplicate receipts or some other method of documentation is maintained to document the source, date, amount and purpose of each collection.

Appendix A: Response From District Officials

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August 31, 2021

Ira McCracken, Chief Examiner
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Report of Examination 2021M-087

Dear Mr. McCracken:

On behalf of the Board of Education, we would like to thank you for the opportunity to respond to the findings of your examination of our Extra-Classroom Activity Fund. We have read the report carefully and agree with your findings and recommendations. We are beginning the process of implementing our corrective action plan which we are outlining below. This CAP was presented to the Audit Committee and the Board of Education at its meeting of August 24 and approved unanimously. The format of our CAP is to take each of your five recommendations and identify the specific activities, procedures and practices which we will develop over the next few months including identifying the person(s) responsible for each task.

Corrective Action Plan

The Board should:

1. Adopt an ECA fund policy to provide comprehensive guidance for District officials and students to ensure funds are properly collected, receipted, deposited and disbursed.

A draft policy has been presented to our auditors and attorneys for their review and comment. This policy will provide comprehensive guidance to district officials and students on the safeguarding, accounting and auditing of extraclassroom activity funds. The policy will be adopted by the Board of Education by the opening of school on September 1, 2021 or as soon as possible thereafter and disseminated to all staff members who are involved in the Extra-Curricular Activities Program.

2. Appoint a faculty auditor to reconcile ECA club records to the central treasurer's records and audit various collections and disbursements transactions to ensure correct ECA procedures are used.

There will be a member of the district staff who will serve as the auditor of the ECA fund. It may not be a faculty member due to the fact that such an appointment would involve a

revision to the Collective Bargaining Agreement with the Amityville Teachers Association. However, there will be a staff member who will sample and audit the transactions of the central treasurer and student activity treasurer to be sure that they are aligned. Such audits will be performed in conformance with NYSED guidance and District policy related to the same. We will identify that "auditor" by December 1, 2021 and we expect that there will be at least two audits matching student records with the central treasurer's records in each of the schools - MS and HS.

3. Ensure officials are complying with the check signing policy.

Checks from the ECA fund are processed only after a payment form signed by the Student Treasurer, Faculty Advisor and Building Principal has been submitted prior to the drafting of the check to the Central Treasurer. However, the Board of Education policy requires the signature of both the Central Treasurer and the Student Activity Treasurer on the check itself. The Board of Education will consider a change to the policy to allow for the Central Treasurer's signature to be the only signature required on the check itself since the Central Treasurer is not in the same building.

District officials should ensure:

4. ECA records, including support for collections and disbursements, are maintained for six years.

In accordance with State Archives and Records Administration (SARA), the backup documentation for the activity fund receipts and disbursements must be maintained for 6 years. At the conclusion of each school year, this documentation will be placed into an archive box by the principal at each building and stored in the records archive in the business office. This will be implemented by June 30, 2022.

Club advisors should ensure:

5. Duplicate receipts or some other method of documentation is maintained to document the source, date, amount and purpose of each collection.

We will re-train the student activity treasurers and faculty advisors on the proper procedure to document all transactions. A separate audit of the documentation required will be conducted by the District Treasurer or his designee by March 1, 2022.

Once again, we would like to thank you for your careful review and recommendations to improve our Extra-Curricular Activities program.

Dr. Edward Fale
Interim Superintendent of Schools

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 the Assistant Business Administrator, central treasurer, faculty advisors and internal auditor, and reviewed policies and procedures, to determine the processes regarding the collection, receipt, deposit and disbursement of ECA funds.
- For our test of collections, we judgmentally selected a sample of high school clubs that collected \$2,000 or more and middle school clubs that collected \$1,000 or more during fiscal year 2018-19. This resulted in a sample of 11 clubs that collected \$108,251 out of 40 clubs that collected \$152,803 during the audit period. We requested all records from the selected clubs including receipts, deposit forms, central treasurer's receipt and ledger, deposit slips, deposit tickets and bank statements to determine whether ECA funds were properly collected, receipted and deposited.
- For our test of disbursements, we judgmentally selected the top five high school and top three middle school clubs that reported the most disbursements during fiscal year 2018-19. This resulted in a sample of eight clubs that disbursed \$76,438 out of 43 clubs that disbursed \$127,761 during the audit period. We requested all records from the selected clubs including payment orders, invoices, itemized receipts and check images to determine whether ECA funds were properly disbursed.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

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.

The Board has the responsibility to initiate corrective action. 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-a (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

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 CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

www.osc.state.ny.us/local-government/publications

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www.osc.state.ny.us/local-government/fiscal-monitoring

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www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

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