

# Northport - East Northport Union Free School District

## Extra-Classroom Activity Fund

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**APRIL 2022**

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

# Contents

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- Report Highlights . . . . . 1**
  
- Extra-Classroom Activities . . . . . 2**
  - How Should the District Safeguard ECA Funds? . . . . . 2
  - ECA Procedures Were Not Established or Implemented . . . . . 3
  - How Should ECA Collections and Disbursements Be Accounted For? . . . . . 4
  - Collections Were Not Adequately Supported . . . . . 5
  - Disbursements Were Not Adequately Supported . . . . . 6
  - Why Are Bank Reconciliations Important? . . . . . 7
  - Bank Reconciliations Were Not Reviewed or Accurate for One Central Treasurer . . . . . 7
  - How Should District Officials Respond to an Annual Audit of the ECA? . . . . . 8
  - Annual Audits Resulted in a Qualified Opinion . . . . . 9
  - What Do We Recommend? . . . . . 9
  
- Appendix A – Response From District Officials . . . . . 12**
  
- Appendix B – Audit Methodology and Standards . . . . . 16**
  
- Appendix C – Resources and Services . . . . . 18**

# Report Highlights

## Northport - East Northport Union Free School District

### Audit Objective

Determine if extra-classroom activity (ECA) funds were properly collected, recorded, remitted, deposited, disbursed and reconciled.

### Key Findings

ECA funds were not properly collected, recorded, remitted, deposited, disbursed and reconciled. The District did not have proper procedures or a faculty auditor.

- Collections totaling \$5,767 were not recorded in the accounting records and were not deposited in the bank and collections of \$845,258 were missing key support.
- Records to support transactions totaling \$134,449 were missing and 95 payment request forms totaling \$66,149 either had no supporting documents or the support lacked key information.
- ECA bank reconciliations from a middle school were performed incorrectly, resulting in balance errors totaling as much as \$9,370 that went undetected and uncorrected.
- The last six ECA external audits resulted in qualified opinions because records were not adequate to permit an audit.

### Key Recommendation

- Central treasurers should ensure that all collections and disbursements are accurately accounted for, supported, approved and reconciled.

District officials agreed with our recommendations and indicated they are taking corrective action.

### Background

The Northport - East Northport Union Free School District (District) is located in the Town of Huntington in Suffolk County. The seven-member Board of Education (Board) is responsible for the District's financial and educational affairs, including ECA funds.

The Board annually appoints three central treasurers, one for each of the two middle schools and the high school, to administer the ECA funds. Each central treasurer is responsible for collecting, recording, depositing, disbursing and reconciling ECA funds for clubs in their school. The District Treasurer reviews quarterly ECA reports and presents them to the Board.

#### Quick Facts

ECA Clubs	102
ECA Collections (July 1, 2017 – June 30, 2020)	\$2,196,271
ECA Disbursements (July 1, 2017 – June 30, 2020)	\$2,274,392
Total Cash Balance (All Clubs) as of June 30, 2020	\$276,749

### Audit Period

July 1, 2017 – June 30, 2019

We extended our audit period back to July 1, 2015 and forward through June 30, 2020 for comparative purposes.

# Extra-Classroom Activities

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ECA funds are generated by organizations within a school district whose activities are conducted by students, such as clubs, teams and student council (club). ECA funds are derived from a number of sources, such as admissions to paid events, sales and donations. Clubs also hold fundraisers to raise money for school trips and to support charities. The activities provide learning experiences to students in the business procedures needed to account for and safeguard ECA funds. These funds should be managed by students under the direct supervision of a faculty advisor. Money should be collected and spent at the discretion of the students within that club.

The District has 102 clubs, 78 in the high school and 24 in the middle schools. Seventeen of these clubs had no cash transactions during the audit period. The District's ECA funds had deposits totaling \$2,196,271 and disbursements totaling \$2,274,392 between July 1, 2017 and June 30, 2020.

## How Should the District Safeguard ECA Funds?

The Regulations of the New York State Commissioner of Education<sup>1</sup> require that school districts adopt policies and procedures to safeguard ECA fund money.

Each club should have a faculty advisor (advisor) and a student treasurer. Student treasurers, with the assistance of advisors, should maintain supporting documentation for collections and disbursements, remit collections in a timely manner to the central treasurer, and prepare payment orders for disbursements. The central treasurer is responsible for management and control of all ECA funds, including checks and cash collections remitted from the clubs. The District Treasurer oversees the central treasurers and is responsible for ensuring collections and disbursements are accurately accounted for by each central treasurer.

The Board should appoint a faculty auditor to reconcile the clubs' records with the central treasurer's records and audit various collections and disbursement transactions to ensure correct procedures are being used. See Figure 1 for a visual presentation of ECA responsibility.

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The Board should appoint a faculty auditor to reconcile the clubs' records with the central treasurer's records. ...

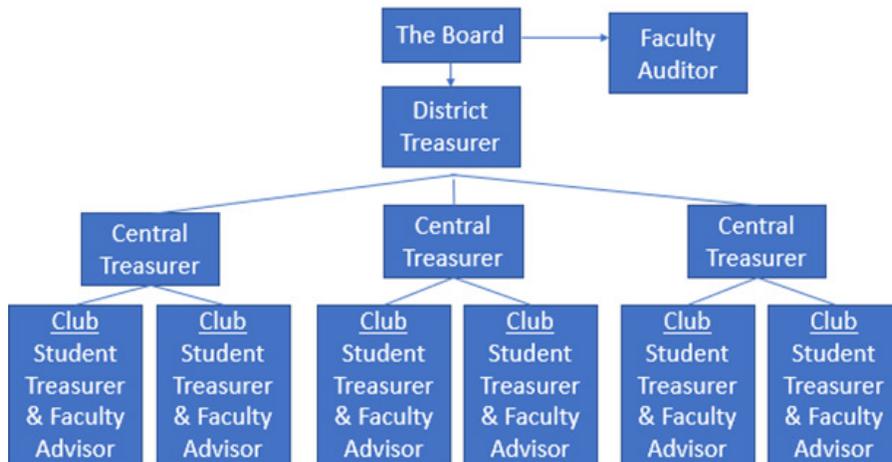
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<sup>1</sup> 8 NYCRR (New York Codes, Rules and Regulations) 172.2

**FIGURE 1**

**ECA Responsibility**



**ECA Procedures Were Not Established or Implemented**

Board-adopted policies indicate that funds should be handled in accordance with the procedures set by the NYS Education Department (SED) and regulations established by the District. Policies also instruct each school to develop written guidelines and procedures. However, the District did not establish regulations and one central treasurer did not develop written procedures. Advisors in all three schools did not ensure cash collections were sufficiently documented (see Collections Were Not Adequately Supported). Disbursement records were also incomplete and inconsistent with accounting records (see Disbursements Were Not Adequately Supported). Further, the Board did not appoint a faculty auditor. Consequently, no one at the District was comparing the club records with the central treasurer’s records – a control that would have detected that source documentation for collections and disbursements were missing.

The District Treasurer could not explain why regulations were not established in accordance with the policy or why a faculty auditor was not appointed for each school. She said that she provides training to each central treasurer and to the advisors regarding best practices for accounting for funds. Because the District did not establish uniform ECA regulations and only two of the three central treasurers established written procedures, central treasurers, club treasurers and advisors had no guidance for ECA fund collections and disbursements.

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## How Should ECA Collections and Disbursements Be Accounted For?

Club members collect money at events and remit collections to the advisor. Procedures should require that all clubs use pre-numbered tickets for admissions to any paid event. For events involving the sale of tickets, students should keep records of specific ticket numbers given to each ticket seller and require each ticket seller to return unsold tickets, along with money collected, and then reconcile the number of tickets sold to the money collected.

When collecting funds, students should accurately document the source, date, amount, form (cash and checks) and purpose of the amounts collected. Advisors are responsible for ensuring student treasurers maintain supporting evidence for collections. Furthermore, when other documentation to support collections is not maintained, students should prepare pre-numbered receipts in duplicate – one copy is provided to the purchaser and the other copy is kept for club records. Student treasurers should reconcile the receipts issued to money collected. If duplicate receipts are not used, at least two students should work together and be responsible for handling and recording the collections and reconciling the amount of funds collected to the supporting documentation under the supervision of an adult.

ECA procedures developed by two of the three central treasurers require:

- Each person collecting funds to accurately document the source, date, amount, form (cash and checks) and purpose of the amounts collected.
- The student treasurers to prepare a deposit form that records cash received, by denomination (form indicates the number of 1s, 5s, 10s, 20s, 50s, 100s, and checks collected; checks should be noted individually by check number), which must be reviewed and signed by the advisor.
- Advisors to ensure student treasurers maintain supporting evidence for collections.
- Clubs to promptly remit money collected along with the completed deposit form to the central treasurer.
- The central treasurer to verify the accuracy of the amount received, indicate the amount on the deposit form, sign the deposit form, issue pre-numbered receipts to clubs, record the amounts in a ledger and make bank deposits intact (in the same amount and form as collected), at least once per week.

Payment procedures include:

- Requiring a payment request form be prepared for all disbursements requested by a club.
- Student treasurers should prepare and sign a payment request form.

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When collecting funds, students should accurately document the source, date, amount, form (cash and checks) and purpose of the amounts collected.

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- Advisors should ensure the request is adequately supported by documentation, such as itemized receipts or invoices, to ensure that requested payments are for appropriate purposes.
- The central treasurer should disburse funds only after presentation of a properly completed and signed payment request form with adequate supporting documentation attached.
- After the payment is made the related invoice(s) should be marked as paid to avoid duplicate payments.

### Collections Were Not Adequately Supported

While ECA collections were remitted to the central treasurers using a deposit transmittal form (DTF), signed by the student treasurer and advisor, that documented the club’s name and deposit composition and amount, club funds were not properly receipted, recorded and deposited.

We reviewed 417 recorded transactions for 21 clubs totaling \$1,188,767. The transactions included 360 deposits totaling \$1,136,871; 30 transfers between clubs, totaling \$54,430; 22 bounced checks totaling (\$2,721); and five journal entries totaling \$188. These collections were not adequately supported and/or properly deposited and all 417 transactions had at least one deficiency. In addition, we identified seven East Northport Middle School (ENMS) club collections totaling \$5,767 that were not deposited or recorded in the accounting records. The ENMS central treasurer could not explain why these funds were never recorded or deposited.

Central treasurers provided 339 DTFs totaling \$1,042,822 but 51 DTFs (13 percent) totaling \$148,478 were missing. None of the available DTFs were prenumbered, as required by the policy. See Figure 2 for deficiencies found associated with the DTFs provided.

**Figure 2: Transaction Deficiencies**

	Number	Amount
<b>Lacked Adequate Supporting Documentation</b>	227	\$845,258
<b>Unable to Determine if Intact</b>	37	\$137,198
<b>No Bank Deposit Receipt</b>	30	\$85,353
<b>Deposit Was Not Made Timely</b>	49	\$67,273
<b>Lacked Signature(s)</b>	26	\$34,727
<b>Deposit Date and Accounting Record Variance</b>	20	\$22,547
<b>Deposit Was Not Intact</b>	6	\$8,560
<b>DTF and Accounting Record Entry Do Not Match</b>	26	\$3,851
<b>DTF and Bank Deposit Did Not Match</b>	27	\$3,833

The Central Treasurers and the District Treasurer could not explain the discrepancies. When collections are not supported by appropriate documentation, it is difficult to determine if the actual amount collected was remitted to the central treasurer and deposited in a timely fashion. This results in an increased risk of fraud or misuse of these funds. Further, when collected cash remains undeposited for extended periods of time and deposits are not made intact, the risk of loss or misuse increases.

### Disbursements Were Not Adequately Supported

District procedures require that ECA disbursement requests be remitted to the central treasurers using a payment request form which lists the vendor’s name, payment amount, club name and reason for disbursement. The payment form is to be signed by the student treasurer and the advisor before being submitted to the central treasurer with original invoices and itemized receipts attached. The form for one of the middle schools also requires the signature of the central treasurer, the check number and the check date. Checks require two signatures, the central treasurers and the building principals. Between July 1, 2017 and June 30, 2019, the central treasurers recorded disbursements for 82 clubs totaling \$1,727,769.

We reviewed 745 disbursements totaling \$1,270,733 for 21 clubs from the three schools.

Central treasurers provided 674 payment request forms (90 percent) for disbursements totaling \$1,136,284. However, they were not able to provide us payment request forms for 71 disbursements (10 percent) totaling \$134,449. From our review of the 674 payment request forms we found numerous instances where disbursements were not properly authorized, adequately supported and/or accurately recorded. See Figure 3 for the deficiencies found associated with the payment request forms provided.

**Figure 3: Disbursement Deficiencies**

	Number	Amount
<b>Payment Request Form Not Marked Paid</b>	408	\$745,869
<b>Cancelled Check Image Missing</b>	71	\$158,424
<b>Supporting Document Amount Did Not Match Request Form</b>	77	\$132,162
<b>Missing Invoice or Other Supporting Documentation</b>	95	\$66,149
<b>Check Date Did Not Agree with Accounting Records (NMS and ENMS only)</b>	72	\$38,523
<b>Payment Request Form Missing One or More Signatures</b>	57	\$34,914
<b>Check Not Dual Signed</b>	11	\$13,017
<b>Disbursement Not Posted to Club Ledger</b>	1	\$372

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Neither the central treasurers nor the District Treasurer could explain the missing documentation, missing signatures or the discrepancies in the records. The lack of authorization and adequate supporting documentation for club disbursements provides no assurance that club disbursements are for qualified expenses or are appropriate.

### **Why Are Bank Reconciliations Important?**

Reconciling bank account balances with the accounting records is an essential control activity that allows district officials to determine whether all collection and disbursement transactions are captured and correctly recorded in a timely manner. Monthly reconciliations provide a way for officials to identify, correct and document differences between the district's records and bank transactions. During the reconciliation process, outstanding checks<sup>2</sup> should be researched, investigated, and if necessary, voided and re-issued. Checks are typically valid for six months after the date written on the check after which they are considered stale dated.

Once each month, the faculty auditor should receive the bank statements and reconciliations from the central treasurers and verify the accuracy of the reconciliations of cash balances to the bank accounts and forward these to the district treasurer. If the board has not appointed a faculty auditor, someone at a supervisory level should review accounting entries and bank reconciliations monthly and any identified discrepancies should be promptly investigated and resolved.

### **Bank Reconciliations Were Not Reviewed or Accurate for One Central Treasurer**

The Board did not appoint a faculty auditor, nor did it have anyone else review the reconciliations completed by the clubs' central treasurer. Although completed reconciliations were forwarded by the central treasurers to the District Treasurer for inclusion in the quarterly Treasurer's report, we found that the ENMS central treasurer did not perform accurate bank reconciliations, nor did she complete them monthly, and both the ENMS and the Northport Middle School (NMS) reconciliations included old outstanding checks that were not investigated.

We performed bank reconciliations for each school for the 24 months in the audit period to determine if they were accurate. The high school bank reconciliations were accurate, and all outstanding checks were researched and rectified. However, we found discrepancies in both middle schools' reconciliations.

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<sup>2</sup> An outstanding check is a check that a recipient has not yet cashed or deposited.

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The ENMS central treasurer completed the bank reconciliations quarterly, instead of monthly. The June 2017 quarterly bank reconciliation included 25 reconciling items totaling \$9,370 listed as deductions and additions required to make the books reconcile to the bank balance. This list of adjustments consisted of multiple checks and deposits never recorded in the accounting records and old outstanding checks and deposits in transit dating back as far as 2013. Rather than correcting the book balance errors and investigating the old outstanding checks and deposits in transit, the ENMS central treasurer kept a running list of the additions and deductions on the book balance side and outstanding checks and deposits in transit on the bank balance side of the reconciliation. The District Treasurer told us that the ENMS central treasurer was not properly trained to perform a bank reconciliation, so she identified any difference between the bank and book balances as an adjusting item.

Starting in the 2018-19 fiscal year, the District Treasurer trained the ENMS central treasurer and completed the necessary adjusting entries to ensure the books reconciled to the bank balance. For the period July 2018 through June 2019 the adjusted bank balances agreed with the cash balances in the records.

With the exception of a \$30 bounced check that was not recorded in the accounting records, for the 24 months reviewed, all NMS bank account reconciliations were accurate. However, the NMS central treasurer did not research or follow up on seven outstanding checks totaling \$1,104 that were between 12 and 24 months old. Neither the NMS central treasurer nor District Treasurer had an explanation for why the old outstanding checks were not looked into.

Without having a faculty auditor to review the accuracy of ECA bank reconciliations, errors went undetected and uncorrected and information was not accurately reported to the Board.

### **How Should District Officials Respond to an Annual Audit of the ECA?**

District procedures state that the District must obtain an annual audit of the ECA and within 90 days of receipt, prepare a corrective action plan (CAP) in response to any findings contained in the annual external audit report or management letter. When preparing a CAP, each corrective action should be described in sufficient detail to demonstrate clearly what corrections have occurred or are planned in response to each recommendation, who within the district is responsible for implementation, and the implementation date. To be considered effective, the corrective action must be suitably designed to remedy the conditions described in the audit report. The CAP must be presented to the audit committee and the board of education and according to Board policy, implementation must begin no later than the end of the following fiscal year.

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## Annual Audits Resulted in a Qualified Opinion

For the 2014-15 through 2019-20 audits completed by the District's external auditors, the auditors reported that ECA cash receipt records were not adequate to permit the application of auditing procedures, resulting in a qualified opinion. A qualified opinion reflects the auditor's inability to give an unqualified, or clean, audit opinion. An unqualified opinion is issued if the financial statements are presumed to be free from material misstatements and is the best possible opinion to receive.

Despite recurring findings communicated by the auditors over multiple years, the Board adopted a CAP which did not identify any specific corrective action for the findings. Instead, the CAP indicated that the District Treasurer would continue to provide oversight of the fund and training will be recommended to all building level central treasurers.

Because the Board did not adopt an adequate CAP, District officials did not correct the deficiencies identified by the external auditors. Had the Board required District officials to prepare an adequate CAP in response to the annual audit reports, they may have identified and corrected the discrepancies described in this report.

## What Do We Recommend?

The Board should:

1. Require compliance with the District's policies for ECA funds.
2. Appoint a faculty auditor to reconcile club records to the central treasurer's records and audit various collections and disbursement transactions to ensure correct ECA procedures are used.
3. Adopt a corrective action plan in response to the independent auditors' reports on ECA funds which outline specific corrective action designed to remedy each condition described.

District officials should:

4. Establish regulations as described in the ECA policy to ensure funds are handled in accordance with procedures set by SED.
5. Ensure regulations clearly define timely remittance of collections from clubs to the central treasurers and require collections to be deposited timely.

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...[E]xternal auditors reported that cash receipt records were not adequate to permit the application of auditing procedures, resulting in a qualified opinion.

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Advisors should:

6. Ensure student treasurers document the source of collections by issuing duplicate receipts and/or maintaining other documentation of collections of sales and tickets sold.
7. Ensure student treasurers reconcile collections to duplicate receipts or tickets sold records and submit the supporting documents along with properly signed DTFs.
8. Ensure that all payment requests are signed by both the advisor and the student treasurer and that adequate support is attached before submitting to the central treasurer.
9. Ensure that ECA club's records are periodically reconciled with the central treasurers' records to ensure agreement between them.

Central Treasurers should:

10. Ensure they have comprehensive written procedures specific for their school.
11. Ensure that all DTFs received are accurately completed, signed by all parties and include adequately detailed source documentation. Issue receipts for all collections remitted and make deposits, intact, within one week.
12. Review and resolve all differences between DTFs, supporting documentation and bank information including determining where the seven ENMS club collections totaling \$5,767 are, depositing the funds and recording the collections in the accounting records.
13. Ensure that all payment requests are signed by all parties, adequately supported and approved for club purposes prior to issuing checks.
14. Ensure all supporting invoices are marked paid when issuing checks.
15. Keep all canceled checks and ensure they are dual endorsed.
16. Review and resolve all differences between payment request forms and supporting invoices/receipts.
17. Ensure accounting records are accurately maintained to reflect receipt and disbursement activity when it occurs with correct dates and posted to the proper club sub-ledger.
18. Regularly review accounting records to ensure collections and disbursements were properly recorded and deposited in or withdrawn from the bank.

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19. Prepare accurate bank reconciliations each month or have someone not involved with handling money and maintaining records prepare the reconciliations. Review and resolve any identified discrepancies and establish procedures to review old outstanding checks.

20. Periodically reconcile central treasurer sub ledger club balances with club advisor records to ensure accuracy.

The District Treasurer should:

21. Review all ECA bank reconciliations and ensure corrections are made so that all information can be accurately reported to the Board.

# Appendix A: Response From District Officials

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NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT

OFFICE OF THE SUPERINTENDENT

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**Robert L. Banzer**  
*Superintendent of Schools*

March 14, 2022

Ira McCracken, Chief Examiner  
Office of the State Comptroller  
NYS Office Building, Room 3A10  
250 Veterans Memorial Highway  
Hauppauge, New York 11788

Dear Mr. McCracken:

Northport-East Northport Union Free School District (“District”) is in receipt of the Draft Extra-Classroom Activity Fund Report of Examination for the period of 2015 to 2020. Please consider this letter the response to the audit, as pursuant to General Municipal and NYS Education Law. In addition, the district will work with an accounting firm to review and address the findings of the report.

On behalf of the Board of Education and administration, we would first like to thank the local staff of the Comptroller’s Office for their professionalism while conducting the audit. The staff was courteous and extremely helpful throughout the process. Our responses to the recommendations as specified in the audit are as follows:

Recommendations on the Extra-Classroom Activities of the District:

Recommendations:

The Board should:

Require compliance with the District’s policies for Extra-Classroom Activities (“ECA”) funds.

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

Adopt a corrective action plan in response to the independent auditors’ reports on ECA funds which outline specific corrective action designed to remedy each condition described.

District's Response:

The district has already implemented many corrective actions as outlined in this response. The

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district will submit a Board approved Corrective Action Plan (“CAP”) within the 90-day timeframe established by OSC to address all findings.

After the audit period the district expanded the role of the Claims Auditor to the role of faculty auditor during the 2020-21 school year. The responsibilities of the faculty auditor include reviewing all disbursements and receipts in the ECA.

Within the time of this audit, the district received a qualified opinion each year in the years between 2015 and 2020 for Extra-Classroom funds. There is a portion of cash transactions during fundraising efforts which the auditors cannot be certain were recorded, which is common amongst school districts (for example, a student club car wash that accepts cash donations). This is often stated by independent auditors as the reason for the qualified opinion. Subsequent to the OSC audit the district received an unmodified opinion as part of its June 30<sup>th</sup>, 2021, external audit of the ECA. An unmodified opinion is the preferred opinion that school districts seek in an audit.

Recommendations:

The District officials should:

Establish regulations as described in the ECA policy to ensure funds are handled in accordance with procedures set by the State Education Department (“SED”).

Ensure regulations clearly define timely remittance of collections from clubs to the central treasurers and require collections to be deposited timely.

District's Response:

The District has established regulations and will continue to train all staff responsible for ECA funds and provide oversight for compliance. The District also utilizes NYSED’s “The Safeguarding, Accounting, and Auditing of Extra-Classroom Activity Funds” handbook and will continue to use updated best practices as outlined in this document. The district will utilize this handbook to develop a uniform procedure for ECA funds across district buildings.

Subsequent to the audit period, the district expanded the role of the Claims Auditor to the role of faculty auditor during the 2020-21 school year. The district continues to address these issues by providing ongoing training from both internal and external accounting professionals and oversight of the central treasurer, club advisors and student treasurers.

Recommendations:

The Advisors should:

Ensure student treasurers document the source of collections by issuing duplicate receipts and/or maintaining other documentation of collections of sales and tickets sold.

Ensure student treasurers reconcile collections to duplicate receipts or tickets sold records and submit the supporting documents along with properly signed deposit transmittal form

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("DTFs").

Ensure that all payment requests are signed by both the advisor and the student treasurer, and that adequate support is attached before submitting to the central treasurer.

Ensure that ECA club's records are periodically reconciled with the central treasurers' records to ensure agreement between them.

District's Response:

The District has established procedures for advisor oversight of student treasurers and will continue to provide training. The district has already assigned the claims auditor, as the faculty auditor, the task of reviewing all disbursements and receipts during the 2020-21 school year to ensure proper documentation and signatures. This will also be addressed in the ongoing training and through administrative oversight.

Recommendations:

Central Treasurers should:

Ensure they have comprehensive written procedures specific for their school.

Ensure that all DTFs received are accurately completed, signed by all parties and include adequately detailed source documentation. Issue receipts for all collections remitted and make deposits, intact, within one week.

Review and resolve all differences between DTFs, supporting documentation and bank information including determining where the seven ENMS club collections totaling \$5,767 are, depositing the funds and recording the collections in the accounting records.

Ensure that all payment requests are signed by all parties, adequately supported and approved for club purposes prior to issuing checks.

Ensure all supporting invoices are marked paid when issuing checks.

Keep all canceled checks and ensure they are dual endorsed.

Review and resolve all differences between payment request forms and supporting invoices/receipts.

Ensure accounting records are accurately maintained to reflect receipt and disbursement activity when it occurs with correct dates and posted to the proper club sub-ledger.

Regularly review accounting records to ensure collections and disbursements were properly recorded and deposited in or withdrawn from the bank.

Prepare accurate bank reconciliations each month or, have someone not involved with handling money and maintaining records prepare the reconciliations. Review and resolve

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any identified discrepancies and establish procedures to review old outstanding checks.

Periodically reconcile central treasurer sub ledger club balances with club advisor records to ensure accuracy.

District's Response:

The District has established procedures and will continue to provide training to eliminate any deficiencies. The district provided training to the central treasurers by an outside facilitator as well as instituted the centralized claims auditor function during the 2020-21 school year. All central treasurers were trained by both district staff and professional extra-classroom experts on November 20, 2019. As noted in the OSC report, the district treasurer did train the central treasurers to ensure the reconciliations are properly prepared. The District continues to address these issues through additional training and oversight.

As stated above, the District will also utilize NYSED's "The Safeguarding, Accounting, and Auditing of Extra-Classroom Activity Funds" handbook to develop a uniform procedure for ECA fund reporting across district buildings.

Recommendations:

The District Treasurer should:

Review all ECA bank reconciliations and ensure corrections are made so that all information can be accurately reported to the Board.

District's Response:

The District Treasurer has reviewed bank reconciliations and provided corrections to ensure accurate reporting to the Board and for year-end financial statements. The District Treasurer will continue to do so.

In closing, I would like to thank the field staff of the Comptroller's Office once again for their assistance throughout the review process. Should additional information be required regarding our response, please advise.

Sincerely,

Robert L. Banzer  
Superintendent

## Appendix B: Audit Methodology and Standards

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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, reviewed SED guidance and inquired about the District's policies and procedures for safeguarding, auditing and accounting for ECA funds.
- For each of the three schools' ECA funds, we performed 24 months of bank reconciliations from source documents to determine if the book balance reconciled to the bank balance and club activity report. We determined if each bank reconciliation performed by central treasurers were consistent with the performed reconciliation. We identified all old outstanding checks to determine date of original issue and time outstanding, and then inquired with the central treasurer and District Treasurer regarding any follow up that was done.
- We reviewed the internal audit report, financial statement audit management letters and corresponding corrective action plans to determine if corrective action was identified and implemented.
- We used our professional judgment to select 21 clubs (21 percent) with a beginning fund balance of \$229,110 (65 percent), collections of \$1.2 million (72 percent), disbursements of \$1.3 million (74 percent) and ending fund balance of \$146,412 (53 percent), consisting of five from the Northport Middle School, five from the East Northport Middle School and 11 from the high school.
- For each collection tested, we obtained and reviewed all supporting documentation to determine the accuracy of the records. We reviewed club records to determine if the deposit form was completed properly. We determined if the central treasurer verified the amount provided and if the deposit was made intact and within seven days. We determined if the amount deposited matched the bank deposit receipt dollar amount, and if the deposit was accurately posted to accounting records. If we noticed a loan/transfer between clubs, we reviewed support to determine if both clubs approved the loan/transfer.
- For each disbursement tested, we obtained and reviewed all supporting documentation to determine if it was properly authorized, supported, and recorded. We reviewed club records to determine if the disbursement request was completed properly. We determined the accuracy of the electronic accounting records by tracing canceled check images to the central treasurer's accounting record. We determined if the central treasurer verified the amount and approved the disbursement. We reviewed the canceled checks to determine if they were signed by all individuals, the disbursement amount matched the bank dollar amount, and that it was written to the correct payee.

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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

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://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](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

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

[www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.state.ny.us/files/local-government/publications/pdf/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/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

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