



Pembroke Central School District

Extra-Classroom Activity Funds

2023M-136 | April 2024

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Report Highlights

Pembroke Central School District

Audit Objective

Determine whether Pembroke Central School District (District) officials properly accounted for and appropriately used extra-classroom activity (ECA) funds.

Key Findings

District officials did not properly account for all ECA funds and, because some funds were held for substantial amounts of time before they were deposited, collections were not appropriately safeguarded. As a result, collections were not recorded and deposited in a timely manner, and unsupported disbursements were authorized and processed. As such, we could not determine whether all ECA funds were properly used. For example:

- One club advisor did not deposit more than \$3,500 in club fundraising activities until our audit began, which was more than six months after the club's fundraising activity had taken place.
- The supporting documentation for 14 payments, totaling approximately \$11,000, was not sufficiently itemized to clearly identify the quantity or cost of items purchased.

These errors and discrepancies occurred because the faculty auditor (auditor) was not overseeing ECA funds to verify the accuracy and completeness of the records and activity as the Board required.

Key Recommendations

- Ensure that all ECA activity is performed and recorded in compliance with the Board-adopted policy.
- Ensure that collections are deposited within a timely manner.

District officials agreed with our recommendations and indicated that they have initiated or plan to initiate corrective action.

Audit Period

July 1, 2021 – June 13, 2023

Background

The District serves the Towns of Alexander, Batavia, Darien and Pembroke in Genesee County. The five-member Board of Education (Board) is responsible for the District's general management and control of educational and financial affairs.

The Superintendent of Schools (Superintendent) is the chief executive officer responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

ECA funds are administered by and for the students' benefit. Students raise and spend ECA funds to promote their general welfare, education and morale, and to finance the student body's appropriate extracurricular activities.

Each ECA class and club have a student treasurer and faculty advisor or advisors. Student treasurers, with assistance from faculty advisors, are responsible for collecting money, issuing receipts, completing disbursement forms, and maintaining a ledger showing all collections and disbursements and a daily running balance. The Board-appointed central treasurer is responsible for accounting for ECA funds. The Board-appointed auditor is responsible for overseeing ECA activities.

Quick Facts

ECA Classes or Clubs	39
2021-22 Activity	
ECA Recorded Receipts	\$88,861
ECA Recorded Disbursements	\$75,405

Extra-Classroom Activity Funds

What Are Proper ECA Accounting Practices and Appropriate Uses of ECA Funds?

Proper ECA accounting practices consist of procedures adopted by a school board that are performed by an appointed person, or people, that accurately reflect and record all ECA financial activity. In addition, while classes and clubs may spend their funds in a reasonable manner, a school board must enact procedures that safeguard funds from being lost, stolen or spent improperly.

The District's policy requires that staff and students will generally handle all ECA funds in accordance with the financial procedures that conform with the New York State Commissioner of Education's Regulations, Title 8 Part 172 and recommended¹ by the New York State Education Department (SED). According to these regulations, proper accounting practices should include, among other things, that:

- Student treasurers accurately record the source, date, amount, form (cash and checks) and purpose of all amounts collected; maintain sufficient supporting evidence for collections; and issue receipts when necessary.
- All ECA activities must be approved by the Board and ECA funds must be promptly deposited, as soon as possible after collection, in the designated depository in order to reduce the risk of loss or theft.
- Student treasurers and advisors complete a check request form for all disbursements that lists the vendor's name, payment amount, the class or club and the reason for disbursement. They also must retain sufficient supporting documentation, such as invoices or receipts, to document the purpose for the disbursement and that all the required signatures were obtained during the approval process.
- Profit and loss statements are completed that summarize the results of approved activities when applicable.

Additionally, SED guidelines recommend that the Board-appointed faculty auditor reconcile the ECA clubs' records with the central treasurer's records to ensure all ECA funds have been properly accounted for and deposited.

Collections Were Not Always Properly Supported or Deposited in a Timely Manner

We reviewed a sample of 77 deposits from 10 of the 39 classes or clubs made during our audit period,² totaling approximately \$74,000. We determined that,

¹ SED publication entitled The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds, revised 2019

² See Appendix B for more information on our sampling methodology.

while all funds recorded as collected by student treasurers were deposited and student records reconciled with the central treasurer's records, collections were not always properly supported or deposited in a timely manner.

The club advisors and student treasurers from all 10 clubs/classes did not always maintain sufficient documentation, such as activity-specific collection records or duplicate receipts, showing when the funds were collected or received. Of the 77 deposits reviewed, 56 deposits totaling approximately \$67,000 were not supported by sufficient documentation to determine whether the collections were deposited in a timely manner. The central treasurer stated that the clubs likely forgot to include the date of collection with their deposit receipt form. However, many of the club advisors told us that they were not aware that the original collection date needed to be documented and District guidance does not specify that the club advisor should include the original date of collection. For the remaining 21 deposits totaling approximately \$7,000 with sufficient supporting documentation, six totaling approximately \$4,000 were deposited between 11 and 21 days after they were initially received. When collections are held for a longer period of time without being deposited, there is an increased risk that funds could be lost, stolen, or used for non-ECA activities.

We also identified that one club advisor held club funds in their possession and did not deposit more than \$3,500, of which approximately \$3,400 was cash collected, in club fundraising activities until our audit began, which was more than six months after the club's fundraising activity had taken place. Another advisor told us that he was not aware that the Board policy required "prompt" deposits. Although the policy does not define what "prompt" means, the best approach is to deposit money as soon as possible. The longer money remains undeposited, the greater the risk that loss or theft can occur.

When collections are not supported by appropriate documentation, District officials cannot be sure that all club and class funds collected were remitted to the central treasurer and deposited in a timely manner.

Disbursements Were Not Properly Approved and Supported

We reviewed a sample of disbursement activity for 10 of the 39 classes or clubs that consisted of 91 payments, totaling approximately \$67,000, and determined that 47 disbursements totaling \$25,000 were not properly approved or supported by sufficient documentation. Some classes or clubs had one or more exceptions that included:

- 20 payments, totaling approximately \$7,000, did not have adequate supporting documentation attached to the payment order form. For example, one club paid \$2,300 for the purchase and installation of a flagpole, but the

only supporting documentation attached was an email with the contractor's quote instead of an original invoice.

- 14 payments, totaling approximately \$11,000, had supporting documentation attached to the payment order form, but the documentation was not sufficiently itemized to clearly identify the quantity or cost of items purchased. For example, one club paid approximately \$3,000 to a publishing company, but the associated invoice did not show how many items were purchased or the cost of each item.
- Eight payments, totaling approximately \$4,000, were issued without the current club advisor's approval as required. For example, a District employee, formerly associated with the club, signed the payment order forms instead of the club advisor. The club advisor told us that he thought the other District employee should have signed the form because he organized the event.
- Seven checks totaling approximately \$2,000 were issued to students. Although these scholarship payments would be a legitimate ECA purpose, District officials could not locate records, such as class meeting minutes, that provide assurance that these payments were approved by the student representatives as required.

When funds are not properly approved, supported by receipts or properly disbursed, there is no assurance that these funds are disbursed for legitimate ECA purposes.

Class and Club Accounting Records Were Not Adequate

We reviewed a sample of accounting records for 10 classes or clubs with 37 ECA activities and determined that the records maintained for all 10 were not adequate. We identified the following deficiencies:

- 22 activities did not have the required signed and approved activity proposal form before the event took place. This form and its approvals are essential to ensure proper ECA activities are taking place.
- Eight of the 15 fundraising activities we sampled for our audit period did not have a required completed profit and loss statement. This form is necessary to ensure planned events reach their attendance, collections and disbursement goals and, if they are not met, activity can be reviewed to identify any discrepancies.
- Six of the 10 classes or clubs did not maintain monthly meeting minutes. One of the clubs that did maintain minutes did not do so properly. These minutes were incomplete because they did not include the date of the meeting, listing of attendees and a tally of votes to approve activities. In addition, the faculty

advisor maintained these minutes instead of a student as required. Meeting minutes, completed by a student representative, attest to the level of student involvement to show that they review and approve their activities.

- All 10 of the classes or clubs we sampled maintained student ledgers as required, but these ledgers were not adequate. Ledgers did not include enough detail to adequately depict club activity. For example, collections were posted to the ledger as a gross lump sum, rather than the individual collections and deposits that were made. In addition, not all collections were recorded in the student ledgers. For example, we identified approximately \$1,400 that was included in the central treasurer's records but was not included in the associated student ledgers. Without accurate student ledgers, as required by Board policy, District officials cannot adequately verify and safeguard ECA funds.

The reported deficiencies occurred because the auditor was not properly monitoring ECA activity. The auditor told us that she did not perform all of her duties as required and would only review club records when a class or club advisor, or central treasurer, brought a discrepancy to her attention. She told us that, during the COVID-19 pandemic, ECA activities decreased significantly, and so did her level of review. When ECA activities resumed to normal levels, she told us that she did not attend to her duties as diligently as she had in the past.

When complete records are not maintained, it increases the risk of errors and/or theft without detection. It also compromises the Board's ability to monitor the ECA clubs' financial operations.

What Do We Recommend?

The auditor should:

1. Perform all required ECA duties and ensure ECA transactions and records comply with Board policy.

The auditor and central treasurer should ensure that:

2. All collections are receipted, recorded, deposited intact and in a timely manner, and are sufficiently documented to show when the club received the collections.
3. All disbursements have the appropriate and required approvals before payment is authorized.

The faculty advisors should:

4. Ensure that they are obtaining required approvals for all class and club events prior to holding events.

-
5. Ensure student treasurers are properly recording all collections, including the source and date of collections, and are issuing duplicate receipts and/or maintaining other documentation of collections of sales and tickets sold.
 6. Ensure student treasurers are properly recording all disbursements, including the payee, purpose and the approval process, and that payments are properly approved, itemized and contain sufficient documentation to substantiate that they are for a legitimate ECA purpose.
 7. Ensure that all ECA required forms and reports, such as profit and loss statements, are completed for each event as required.
 8. Deposit funds timely with the central treasurer as required and discontinue the practice of keeping ECA funds within their possession.
 9. Ensure that student representatives are taking and maintaining meeting minutes that show the date, list of attendees, discussion notes and a tally of the votes to approve or reject club activities.

Appendix A: Response From District Officials

Pembroke Central School District



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Fax# (585) 599-4213

Matthew E. Calderón
Superintendent of Schools

Becca A. Bliemeister, CPA
School Business Manager

James E. Green
Director of Facilities

April 9, 2024

Office of the State Comptroller
Buffalo Regional Office
295 Main Street
Suite 1032
Buffalo, New York 14203-2510

To Whom It May Concern:

Pembroke Central School District is in receipt of the audit report issued by the Office of the New York State Comptroller entitled *Extra-Classroom Activity Funds, Report of Examination 2023M-136*. The district agrees with all of the findings and recommendations identified. Pembroke prides itself on having strong internal controls and financial oversight. We are however, always open to finding ways to continually improve our operations, controls, and practices.

The District's Board of Education and Administration would like to thank the local audit team that worked with the District during the lengthy audit process. We appreciate all the time and hard work the team put into this audit. The Board takes seriously its role in ensuring all funds have been properly maintained. The District will use this opportunity to strengthen the existing controls and procedures surrounding the Extra-Classroom Activity funds (ECA).

The District has already taken actions to address the findings and recommendations by reviewing the Board Policies related to ECA and the Faculty Auditor has reviewed the ECA activity quarterly from September 2023 through the current date. The Faculty Auditor will continue to ensure that all ECA transactions and records comply with Board policy. In addition, the District and the Board will review and update the ECA policies as deemed necessary. The recommendations listed under faculty advisors will be further addressed by working together with the District office, Central Treasurer, Chief Faculty Counselor of Extra-Classroom Funds, and all the Club Advisors. All of the recommendations will be addressed prior to the start of the 2024-25 school year so any updates to documentation can be implemented at the beginning of the annual appointment of club advisors and officers.

Any recommended actions set forth for completion by the School Accountant will be addressed by the School Business Manager due to title change and retirement of the School Accountant.

Thank you,

Becca A. Bliemeister
School Business Manager
Pembroke Central School District

Matthew E. Calderón
Superintendent
Pembroke Central School District

John A. Cima
President
Pembroke Board of Education

"In partnership with the community, the Pembroke Central School District is committed to knowing each individual student's interests, needs, and desires in order to prepare all students for graduation, with the knowledge, skills, and attitudes necessary to lead productive lives."

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and faculty advisors, and reviewed SED guidance to gain an understanding of policies, procedures, practices and controls over ECA funds.
- We used our professional judgment to select a sample of eight clubs that had the largest dollar value of total disbursement activity during 2021-22, and single cash disbursement activity of at least \$1,000. We also used a random number generator to randomly select two more clubs. This resulted in a sample of 10 clubs with 77 cash receipts totaling \$74,044 and 91 disbursements totaling \$66,530 during 2021-22.
 - For each collection tested, we reviewed the statements of deposit, deposit compositions, social media posts and other available documentation to determine whether they were supported by receipts or some other form of documentation and accurately accounted for in the central treasurer's accounting records. We tested to determine whether collections were deposited intact and in a timely manner, and in a Board-designated bank account. We determined the accuracy of the electronic accounting records by tracing all deposits to the bank statement and vice versa.
 - For each disbursement tested, we obtained and reviewed all supporting documentation to determine whether it was properly authorized, supported and recorded. We reviewed club records to determine whether 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 records. We determined whether the central treasurer verified the amount and approved the disbursement. We reviewed the canceled checks to determine whether they were signed by all individuals, the disbursement amount matched the bank dollar amount, and that it was written to the correct payee. We reviewed club minutes, payment order forms and invoices, and inspected purchases to determine whether the purchase was for a legitimate ECA purpose.
 - For the clubs tested, we reviewed 37 fundraisers and events from 10 clubs to determine whether the activity was approved and whether applicable profit and loss statements were prepared. If profit and loss

statements were required, we reviewed the total inventory purchased and used supporting invoices and price lists to project potential sales. We compared our projections to the accounting records and bank statements to determine whether deposits were reasonable. As a result, we extended our sample to include financial activity for one of the clubs to February 28, 2023 because of the increased risk of misappropriation. This additional testing included 14 receipts totaling \$31,982 and 29 disbursements totaling \$22,367.

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.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

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Contact

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<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

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