

Hinsdale Central School District

Extra-Classroom Activities

MARCH 2018



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

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Report Highlights

Hinsdale Central School District

Audit Objective

Determine whether extra-classroom cash receipts were properly collected, recorded and deposited and disbursements were properly authorized, supported and recorded.

Key Findings

- Student treasurers were not adequately involved.
- Student treasurers' records were not accurate, and the Treasurer did not reconcile her records with the student treasurers' records.
- Faculty advisors did not ensure student treasurers issued duplicate press-numbered receipts or admissions receipts when collecting cash at fundraisers or during events.
- Disbursements did not always have adequate supporting documentation attached or required signatures but were for appropriate ECA purposes.

Key Recommendations

- Ensure faculty advisors are assisting student treasurers rather than completing forms and ledgers for them.
- Periodically review student treasurers' records for completeness and accuracy.
- Ensure student treasurers are completing forms and records in accordance with policies.

District officials generally agreed with our recommendations and indicated they have taken, or plan to take, corrective action.

Background

The Hinsdale Central School District (District) is located in the Town of Clarksville in Allegany County and the Towns of Hinsdale, Humphrey, Ischua and Olean in Cattaraugus County.

Extra-classroom activity (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 Board of Education (Board) has overall responsibility for the District's financial and educational affairs, including ECAs. 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 (Treasurer) and faculty advisors.

Quick Facts

2016-17 Budgeted General Fund Appropriations	\$9.7 million
Active Clubs	20
2016-17 ECA Receipts	\$66,000
2016-17 ECA Disbursements	\$59,000

Audit Period

July 1, 2015 – August 9, 2017

Extra-Classroom Activities

The Treasurer maintains custody of ECA funds. Faculty advisors guide students in planning activities, preparing financial budgets and maintaining adequate cash receipt and disbursement records. The Treasurer and faculty advisors have a shared responsibility for providing oversight and should periodically check the student treasurers' ledgers for completeness and accuracy.

How Can the Board Ensure ECA Funds Are Properly Collected, Recorded and Disbursed?

The New York State Commissioner of Education's regulations require school districts to adopt policies and procedures to safeguard ECA funds and ensure students are provided with the opportunity to learn good business practices through participation in running ECAs.

The District's policies and procedures provide adequate controls to safeguard ECA funds while encouraging student involvement. These procedures require the student treasurers, with assistance from faculty advisors, to be responsible for collecting money, issuing receipts, completing disbursement forms and maintaining a ledger showing all receipts and disbursements and a daily running balance. The Treasurer is responsible for verifying funds presented by student treasurers for deposit, signing all checks, maintaining District records, preparing a monthly reconciliation report after reconciling District records to student treasurers' records and, with the assistance of the Business Administrator, providing annual training for faculty advisors and student treasurers.

Student Treasurers Were Not Adequately Involved

District policies require student treasurers to be directly involved with ECA funds and activities. However, we found that faculty advisors were completing required documentation, such as deposit and disbursement forms and maintaining the ledgers, instead of the student treasurers. For example, of the 45 deposits we reviewed,¹ we found 28 issued receipts that were signed by a faculty advisor instead of a student treasurer as required.

The faculty advisors told us they were completing the forms and records for the students because it was easier to do it themselves. However, this practice undermines one of the main goals of these activities, providing an educational experience for the students, and negates the faculty advisors' ability to provide oversight.

¹ Refer to "Student Treasurers' Ledgers Were Inaccurate" for further information on these deposits.

Student Treasurers' Ledgers Were Inaccurate

We reviewed 45 disbursements totaling \$27,237 and 45 deposits totaling \$19,853² in the Treasurer's records and student treasurers' ledgers. We found all were accurately recorded in the Treasurer's records, but 19 deposits totaling \$9,954 and 14 disbursements totaling \$9,194 were not accurately recorded in student treasurers' ledgers. In addition, five clubs were not maintaining ledgers and instead relied on the Treasurer's reports as a substitute for their own records.

The Treasurer was not aware of these discrepancies and did not realize that ledgers were not being properly maintained, because she was not preparing the monthly reconciliation reports after reconciling her records with the student treasurers' records as required. The Treasurer told us she was not completing the monthly reconciliations because she did not have enough time.

The Treasurer and Business Administrator did not provide faculty advisors and student treasurers with sufficient training and guidance to ensure they understood their roles and responsibilities, even though District policies require that they provide at least an annual training. Had faculty advisors and student treasurers been provided with the required training, it is possible they may have maintained suitable ledgers.

Without adequate oversight and training, the District has an increased risk that errors or irregularities could occur within the ECA records and ledgers and remain undetected.

Collections Were Not Always Properly Supported

We determined whether 45 deposits³ were supported by receipts or some other form of documentation and whether they were deposited intact (in the same form, cash or check, as when received). We found 11 deposits from fundraisers and ECA events totaling \$8,301 did not have a duplicate receipt or admissions receipt, but the deposits were made intact. The faculty advisors did not ensure that student treasurers issued duplicate press-numbered receipts or admissions receipts when collecting cash at these events. However, we also found that 10 of the 11 deposits had a summary of deposit form.⁴

In addition, District policies require student treasurers and faculty advisors to complete activity fundraising request forms that project the activity's profits for the Board to evaluate and to obtain Board authorization prior to holding an event or

² Refer to Appendix B for further information on our sample selection.

³ See supra note 1.

⁴ The ECA handbook refers to this form as the Student Activity Deposit Form. A summary of deposit form is supposed to be completed for each deposit and verified by a faculty advisor prior to submitting the collection to the Treasurer.

sale. We did not find any evidence that the required activity fundraising request forms were completed prior to the related activities.

District officials told us they did not require clubs to complete these forms, but said the forms would help the Treasurer anticipate when to expect receipts. If monitored properly, the Treasurer could follow up on any receipts not remitted as expected.

When events that involve cash collection are unanticipated or not properly supported by appropriate documentation, officials cannot ensure all money collected was accounted for and properly remitted for deposit.

Disbursements Were Not Always Properly Supported

District policies require all payment or withdrawal forms to have three⁵ authorizing signatures directing the Treasurer to pay associated claims. We reviewed 45 disbursements⁶ to determine whether they were properly authorized and supported and found that for 16 totaling \$12,279 the withdrawal forms did not have all required authorization signatures.

Nine disbursements totaling \$6,872 did not have adequate supporting documentation (original detailed invoices or receipts) attached to the claim packet to indicate whether they were appropriate ECA purchases. We reviewed these payments and determined they were appropriate ECA expenditures.

When student treasurers do not complete required forms or retain adequate documentation to support payments, officials cannot ensure disbursements are made for legitimate ECA purposes.

What Do We Recommend?

The Board should:

1. Ensure student treasurers are directly involved with ECA funds and operations and are completing all forms and maintaining appropriate records.

The Treasurer should:

2. Prepare monthly reports and reconcile her records with the student treasurers' records to ensure ledgers are accurate and complete.

⁵ The signatures must include the student treasurer, faculty advisor and the chief faculty counselor (building principal).

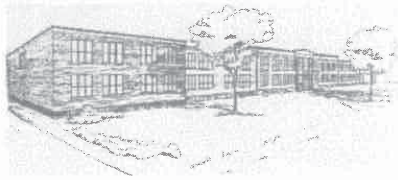
⁶ See supra note 1.

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3. Provide training, with the assistance of the Business Administrator, to the faculty advisors and student treasurers as needed, but at least annually as required.

The faculty advisors should:

4. Assist student treasurers with the completion of required forms and ledgers and periodically review records for completeness and accuracy.
5. Ensure student treasurers obtain all required signatures and retain all required supporting documentation for receipts and disbursements.

Appendix A: Response From District Officials



Hinsdale Central School

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Phone (716) 557-2227 Fax (716) 557-2259

February 15, 2018

Jeffrey D. Mazula
Chief Examiner
295 Main Street
Suite 1032
Buffalo, New York 14203-2510

Unit Name: Hinsdale Central School District
Audit Report Title: Extra-Classroom Activities
Audit Report Number: 2017M-244

Dear Mr. Mazula:

We are in receipt of the above reference audit. We have reviewed the audit and agree with its findings. **Please accept this letter as both our Audit Response and Corrective Action Plan.** There were three key recommendations included in the audit report. The following includes details of corrective action(s) either taken or proposed.

Audit Recommendation #1:

Ensure faculty advisors are assisting student treasurers rather than completing forms and ledgers for them

Implementation Plan of Action(s)

Prior to the commencement of the OSC audit, the district had scheduled advisor training for August 2017. The district's external auditors, Bonadio Group provided training to district faculty and staff. The training focused on Advisor and student treasurer responsibilities as outlined in the Hinsdale Extracurricular handbook and in accordance with the NYS Education Department guidance on Extra-classroom accounting. All faculty members were required to attend the training even if they are not a current Extra-classroom advisor.

Administration

Larry Ljungberg, Superintendent, Ext. 402
Laurie Cuddy, Principal & Curriculum Coord., Ext. 415
Ann Marie Herzing, CSE Chairperson, Ext. 417
Jennifer Jaquith, Business Administrator, Ext. 190
Jennifer Jaquith, District Clerk, Ext. 190

Board of Education

Jennifer Howell, President
Nanci Hurlburt, Vice-President
John Fitzpatrick
Jodie Noll
Dan Adams Jr.

Hinsdale Central School

At the beginning of each school year, The Business Administrator and Central Treasurer will hold a training session for student treasurers to review the handbook and answer any questions. Additional individual trainings will be offered on an as needed basis for any new student treasurers and advisors throughout the school year.

Implementation Date

August 31, 2017 and annually: Advisor trainings at the beginning of the school year

Spring 2018 (after the final report has been issued): Audit result presentation to faculty

Fall 2018 and annually: Student treasurer training

Person Responsible for Implementation:

Business Administrator, Central Treasurer, Superintendent and Faculty/Staff

Audit Recommendation #2:

Periodically review student treasurers' records for completeness and accuracy

Implementation Plan of Action(s)

Our Extra-classroom handbook requires the Central Treasurer to provide a Reconciliation report to each club at the end of each month. The student treasurer is then supposed to reconcile their records with the report which was generated from Finance Manager our computerized financial software system. Once reconciled, the student treasurer signs and dates the reconciliation report and returns it to the Central Treasurer.

Implementation Date

February 2018 (for month end January 31, 2018).

Person Responsible for Implementation:

Central Treasurer, Student Treasurers and Faculty Advisors

Audit Recommendation #3:

Ensure student treasurers are completing forms and records in accordance with policies

Hinsdale Central School

Implementation Plan of Action(s)

As cash receipts and cash disbursements are submitted, the Central Treasurer will review for student treasurer participation and accuracy. If the forms are not complete or incorrect, the Central Treasurer will return forms for correction and hold disbursement requests until an accurate and complete form is submitted. If the issue is lack of student treasurer participation, the Central Treasurer will report this to the Business Administrator. The Business Administrator will contact the advisor directly. If the issue persists, the Business Administrator will report this to the Superintendent and the Superintendent will speak with the advisor.

Beginning with the 2018-2019 school year, we will require all class/clubs to submit a list of officers to the Central Treasurer on an annual basis. We will arrange an annual meeting with class/club officers to review the Extracurricular handbook, and answer any questions.

Implementation Date

February 2018 and beginning of each school year

Person Responsible for Implementation:

Superintendent, Business Administrator, Central Treasurer, Faculty Advisors and Student Officers

We would like to thank you and your staff for their professionalism during the audit. If you have any questions or should you need further information, please do not hesitate to contact me at (716) 557-2227 extension 401 or by e-mail at ljungberg@hinsdale.wnyric.org.

Sincerely,

Lawrence Ljungberg
Superintendent

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 District officials and employees and reviewed District policies and various financial records and reports related to ECA operations to gain an understanding of ECA operations and procedures.
- We used a computerized random sample generator to select 30 disbursements totaling \$10,579 and judgmentally selected an additional 15 disbursements totaling \$16,658 based on risk factors, such as checks payable to unfamiliar vendors or large disbursements to individuals. We reviewed these disbursements to determine whether they were properly authorized, had adequate supporting documentation, appeared to be appropriate ECA expenditures and were properly recorded in the Treasurer's records and ledgers.
- We used a computerized random sample generator to select 30 deposits totaling \$11,443 and judgmentally selected an additional 15 deposits totaling \$8,410 using professional judgment to identify deposits at greater risk for misappropriation or loss, such as deposits collected over the summer and deposits listed on advisor records that were not turned into the Central Treasurer for review. We reviewed these deposits to determine whether they were properly collected, deposited and properly recorded in the Treasurer's records and ledgers.

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.

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 2116-1(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 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. We encourage the Board to make the CAP available for public review in the District Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.state.ny.us

www.osc.state.ny.us/localgov/index.htm

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

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