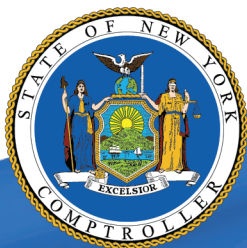


East Rockaway Union Free School District

Extra-Classroom Activity Funds

JANUARY 2021



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

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Report Highlights

East Rockaway Union Free School District

Audit Objective

Determine whether extra-classroom activity (ECA) funds were properly accounted for, deposited timely and if disbursements were properly supported and for legitimate ECA purposes.

Key Findings

- The ECA clubs did not maintain adequate records; therefore, we cannot determine whether all money collected was accounted for, properly remitted and deposited intact. Other than minor exceptions, disbursements were properly supported and for legitimate purposes; however, ECA deposits were not always timely.
- Managing the finances of ECA activities is meant to be a learning experience for student club members. By not properly managing ECA finances, students miss this learning opportunity and District officials have little assurance that ECA funds are adequately safeguarded and properly accounted for.

Key Recommendations

- The Board should appoint a faculty counselor and faculty auditor.
- Clubs should maintain separate records including duplicate press-numbered receipts, club ledgers and activity logs and prepare profit and loss statements.
- Ensure ECA clubs remit receipts to the central treasurer promptly and that the central treasurer deposits them timely.

District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The East Rockaway Union Free School District (District) is located in the town of Hempstead in Nassau County. The five-member Board of Education (Board) is responsible for the District's financial and educational affairs, including ECA funds.

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

The Board appoints a central treasurer to administer ECA funds. The central treasurer is responsible for collecting, recording, depositing and disbursing ECA funds. The District Treasurer reviews monthly ECA reports and presents them to the Board.

Quick Facts

Enrolled Students	1,173
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Extra-Classroom Activity

Clubs	57
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Audit Period

Receipts	\$555,344
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Disbursements	\$511,307
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Audit Period

July 1, 2017 – June 30, 2019

Extra-Classroom Activity (ECA) Funds

Generally, student activity organizations raise ECA funds to promote the general welfare, education and morale of students and finance extracurricular activities. The Regulations of the New York State Commissioner of Education (Commissioner's Regulations) recommend that school districts adopt policies and procedures to safeguard ECA funds and ensure students are provided with the opportunity, through participation in ECA clubs, to learn good business procedures by handling funds and operating a successful business. The District's policy refers to the New York State Education Department's pamphlet on the Commissioner's Regulations for the safeguarding, accounting and auditing of ECA funds.

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

The Commissioner's Regulations recommend that ECA clubs maintain separate, independent sets of records and a school district board appoint a central treasurer to maintain custody of all ECA funds, including depositing funds, preparing disbursements for signature and maintaining the central accounting records. The guidelines also recommend appointing a chief faculty counselor to coordinate the financial planning of club projects and consult with faculty advisors. Additionally, they recommend appointing a faculty auditor to reconcile the ECA clubs' records to the central treasurer's records. Each ECA must have a student treasurer and faculty advisor. Student treasurers, with the assistance of faculty advisors, maintain independent account records of collections and disbursements.

The District's written procedure manual provides guidance on how clubs should account for collections, deposits and disbursements of ECA funds. The faculty advisors should ensure club members issue duplicate press-numbered receipts when collecting funds, or use some other method to accurately document the source, date, amount, form and purpose of collections received, such as daily sales reports. This documentation should be provided with collections and remitted to the central treasurer as soon as possible with supporting documentation. The District's written procedures also require that funds should be deposited within 72 hours or placed in a locked safe when it is impossible to make a deposit. District officials also should ensure clubs maintain club ledgers and activity logs with dates and prepare profit and loss statements.

The central treasurer should provide a receipt to the student treasurer and deposit collections intact and in a timely manner to prevent loss or misuse and disburse the ECA clubs' money only upon receiving payment orders signed by the student treasurer and faculty advisor. Disbursements should have documentation to support the expenditures, such as itemized receipts or invoices. The central treasurer should not have any payment approval responsibilities.

The Board Did Not Appoint All ECA Officers

The Board did not appoint a faculty counselor or faculty auditor as recommended by the Commissioner's Regulations. Although not formally appointed by the Board, District officials stated that the schools' principals acted as faculty counselors and were responsible for coordinating the financial planning of all the clubs and consulting with the faculty advisors.

Additionally, the clubs had no faculty auditor responsible for reviewing club records and comparing them to the central treasurer's records. Business Office procedures require that on a monthly basis, faculty advisors receive two copies of a clubs' monthly activity. One copy is to be signed and returned to the Business Office. The other is to be retained for their records. The failure to appoint a faculty counselor increases the risk that resources may not be available for the clubs and activities may be contrary to District policies and procedures. Additionally, the lack of a faculty auditor increases the risk that errors or irregularities may go undetected.

The Board did not appoint a faculty counselor or faculty auditor as recommended by the Commissioner's Regulations.

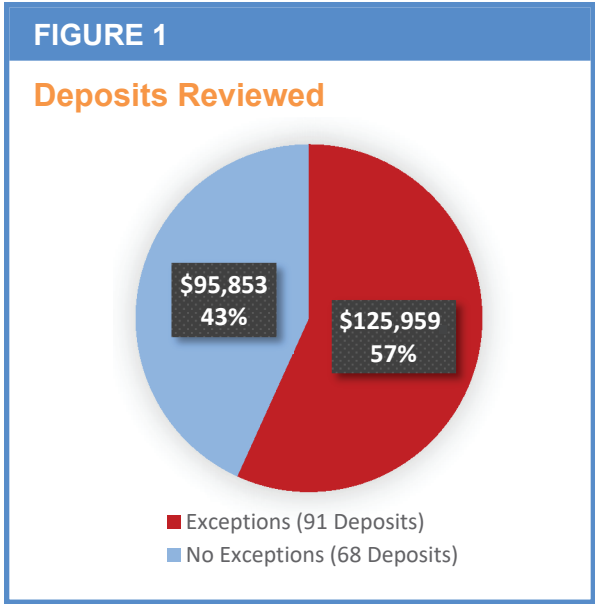
Cash Collection Records Were Not Adequate

The District had 57 active ECA clubs with deposits totaling \$555,344 during our audit period. We requested all records from nine of the clubs. None of the clubs maintained separate, independent sets of records. For the nine clubs, we also tested 159 deposits with recorded collections totaling \$221,812 (almost 40 percent of total deposits). These deposits were not always supported by school deposit forms, bank deposit slips,¹ bank deposit receipts and receipts signed by the central treasurer.

We found that 91 deposits totaling \$125,959 or 57 percent² were not supported by duplicate press-numbered receipts (Figure 1). Of the 91 deposit, 6 deposits or \$2,760 of deposits were only partially supported with press-numbered receipts because they lacked adequate documentation as to the source, date, amount, type or purpose of the collections. This occurred because faculty advisors did not always ensure club members issued duplicate press-numbered receipts when they collected funds or used some other method to accurately document collections, such as a daily sales report.

1 The bank deposit slips were properly itemized as to the supporting checks, including copies of the checks, and when cash was submitted, there was a "Cash Deposit Breakdown Form" and duplicate receipts for cash received.

2 The percentage of deposits that lacked supporting documentation in 2017-18 was 61 percent of the 125 deposits tested for that year. The percentage of deposits that lacked supporting documentation was reduced in 2018-19 to 44 percent of the 34 tested.



In addition, the District uses a school deposit form to document funds remitted to the central treasurer. The form is signed by the student treasurer and faculty advisor of the ECA club depositing the funds. The central treasurer enters the deposits and prepares a duplicate receipt, one is returned to the club and a copy remains in the Business Office. However, supporting documentation such as a press-numbered receipt was not always included with the collections the clubs remitted to the central treasurer.

Lastly, the central treasurer maintains an activity report that shows each club’s beginning balance, receipts and disbursements. This report is produced monthly and provided to each club. However, none of the clubs we tested maintained club ledgers that could be traced to individual receipts within each deposit. In addition, none of the clubs maintained activity logs with dates or prepared statements of profit and loss to analyze the profitability of those activities.

Because the clubs do not maintain adequate records, we cannot determine whether all money collected is accounted for, properly remitted and deposited intact and timely, or analyze the profitability of ECA activities. Managing the finances of ECA activities is meant to be a learning experience for student club members. By not properly managing ECA finances, students miss this learning opportunity and District officials have little assurance that ECA funds are adequately safeguarded and properly accounted for.

District officials have little assurance that ECA funds are adequately safeguarded and properly accounted for.

Deposits Were Not Always Timely

We reviewed 159 deposits totaling \$221,812, almost 40 percent of total deposits of the District's 57 ECA clubs. We compared the date the faculty advisor signed the deposit form to the date the funds were deposited in the bank. However, because of the nature of the records, we could not determine the initial collection date and the date the funds were turned over to the central treasurer by the faculty advisors. We found that 66 deposits from eight of the nine ECA clubs totaling \$114,869 (52 percent of deposits reviewed) were made 4 to 43 days after the deposit forms were signed by the faculty advisor.

Figure 2: Late Deposits

Number of Days Deposit Form Was Signed Before Deposit in the Bank	Number of Deposits	Amount of Late Deposits
4 to 5	36	\$74,661
6 to 9	22	\$30,989
10 to 12	5	\$6,487
13 to 16	2	\$2,423
43	1	309
Total	66	\$114,869

Two of the elementary school clubs did not remit deposits to the central treasurer in the Business Office; instead, they deposited the funds directly in the bank and at the end of the month, then they provided the Business Office with a list of the deposits that were made during the month. As a result, the central treasurer is not able to verify the amount of the deposit or if it was deposited timely.

When funds are not deposited in a timely manner, there is an increased risk the ECA money could be lost or misused. All collections reviewed were deposited intact.

Cash Disbursements Were Properly Approved and Supported

The District uses a payment order form to approve cash disbursements. The form is signed by the student treasurer and the faculty advisor and states the nature of the expenditure with supporting invoices. After the form is brought to the Business Office, the central treasurer prepares the check, and the District claims auditor audits and approves the supporting documentation.

The 57 ECA clubs had disbursements made on their behalf totaling \$511,307 during our audit period. We reviewed 103 disbursements totaling \$227,091. Our review disclosed that, other than minor exceptions that we communicated to District officials, the claims were properly supported by signed payment orders with descriptions or purposes of payment, supporting invoices or receipts, approved by the claims auditor and for legitimate ECA purposes.

What Do We Recommend?

The Board should:

1. Appoint a faculty counselor to coordinate financial planning and consult with faculty advisors.
2. Appoint a faculty auditor to reconcile club records to the central treasurer's records.

District officials should:

3. Ensure clubs maintain separate sets of records and that duplicate press-numbered receipts are issued or some other method is used to document the source, date, amount, form and purpose of each collection.
4. Ensure clubs maintain club ledgers and activity logs with dates and prepare profit and loss statements.
5. Ensure ECA clubs remit receipts to the central treasurer promptly and that the central treasurer deposits them in the bank in a timely manner.
6. Ensure the elementary school clubs use a school deposit form to document funds remitted to the central treasurer and that the central treasurer deposits their funds.

Appendix A: Response From District Officials

www.eastrockawayschools.org



Setting a course for excellence

**EAST ROCKAWAY
SCHOOL DISTRICT**

Superintendent of Schools
Lisa J. Ruiz

Superintendent's Office
443 Ocean Avenue • East Rockaway, NY 11518-1299
(516) 887-8300 1 x 523 • FAX: (516) 887-8694

November 2, 2020

Mr. Ira McCracken, Chief Examiner
Office of the State Comptroller
Division of Local Government and School Accountability
NYS Office Building
250 Veterans Memorial Highway
Hauppauge, NY 11787

Dear Mr. McCracken:

On behalf of the East Rockaway Union Free School District, this letter serves as the District's response to the draft *Extra-Classroom Activity Funds, Report of Examination, 2020m-85*, for the period covered July 1, 2017, through June 30, 2019. The District is in agreement with the findings and recommendation made in this report. The District identified the need for tighter controls well in advance of this audit and implemented new procedures and protocols in the fall of 2018. Procedures that included annual mandatory training for all advisors began in November 2018. The findings of this audit demonstrate the effectiveness of these new procedures as the decrease of findings after the procedures were put in place was evident. We appreciate the recommendations that outline additional strategies the District can put in place to tighten controls.

The District is pleased the New York State Comptroller's audit team found no major discrepancies during the initial review of our business operations. We work very hard to ensure fiscal responsibility and strong internal controls within our business office and your report demonstrates the success of our efforts. We have reviewed your recommendations in detail and below are our responses.

OSC Recommendation No. 1:

1. Appoint a faculty counselor to coordinate financial planning and consult with faculty advisors.

District Response to OSC Recommendation No. 1:

The Principals in each of our buildings currently serve in this role. However, they were not officially appointed to this role by the Board of Education. The district will appoint these positions each year at the annual organizational meeting.

OSC Recommendation No. 2:

2. Appoint a faculty auditor to reconcile club records to the central treasurer's records.

District Response to OSC Recommendation No. 2:

The Board of Education will review the role of this position as defined in the NYSED pamphlet for the extra-classroom activities fund.

OSC Recommendation No. 3:

3. Ensure clubs maintain separate sets of records and that duplicate press-numbered receipts are issued or some other method is used to document the source, date, amount, form, and purpose of each collection.

District Response to OSC Recommendation No. 3:

These procedures were put in place in the fall of 2018. All advisors are provided procedures upon appointment and are required to attend annual training sessions on their role as an advisor. We will ensure this process is empathized during the annual training session and closely monitored throughout the year.

OSC Recommendation No. 4:

4. Ensure clubs maintain club ledgers and activity logs with dates and prepare profit and loss statements.

District Response to OSC Recommendation No. 4:

The District agrees this is an important learning opportunity for the students and will develop a protocol to ensure students are preparing a profit and loss statement as part of the program.

OSC Recommendation No. 5:

5. Ensure ECA clubs remit receipts to the central treasurer promptly and that the central treasurer deposits them in the bank in a timely manner.

District Response to OSC Recommendation No. 5:

The timeliness of deposits during this audit period, July 1, 2017 - June 30, 2019, were compared to the procedures prepared in November 2018. Many exceptions noted were prior to this time period. However, we recognize the need to reinforce the need to meet the timelines set forth in the procedures. We will ensure these procedures are enforced going forward.

OSC Recommendation No. 6:

6. Ensure the elementary school clubs use a school deposit form to document funds remitted to the central treasurer and that the central treasurer deposits their funds.

District Response to OSC Recommendation No. 6:

These procedures were implemented in November 2018. We will reinforce these procedures during our annual training and reiterate the importance of strict adherence to these protocols through our faculty counselors.

We appreciate the recognition of your audit team on the efforts and progress the District has made in the oversight of this area. The District again notes that many of the areas of concern were already addressed in the fall of 2018. The District will review the observations made by your audit team with our current procedures and protocols and revise accordingly.

Sincerely,

Lisa J. Ruiz
Superintendent of Schools

LJR:JS:mv

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:

- Of the 57 ECA clubs with total deposits of \$555,344 for the period July 1, 2017 through June 30, 2019, we selected from the 2017-18 fiscal year four clubs from the high school and one from the elementary school and from the 2018-19 fiscal year four clubs from the high school (two clubs the same as the prior year) and two from the elementary schools. We selected the clubs with the largest deposits for each fiscal year. The nine clubs had 234 deposits totaling \$247,700. We tested 159 deposits totaling \$221,812 or almost 40 percent of total deposits. We did not select any clubs from the middle school because they did not have any material deposits during the two fiscal years.
- We requested all records from the selected clubs for the initial collection of receipts. We reviewed school deposit forms, the central treasurer's ledger and bank statements to determine whether deposits were complete, timely and recorded accurately. We examined 125 deposits during the 2017-18 fiscal year. The deposits reviewed for the period indicated a lower risk than originally assessed; therefore, for the 2018-19 fiscal year, we reduced the sample size and tested all 34 deposits in excess of \$1,000.
- We selected eight of 57 ECA clubs, six from the high school and two from the elementary schools with the highest dollar amounts of disbursements. We tested the three ECA clubs at the high school that had the highest dollar disbursements during the 2017-18 fiscal year. For disbursements during the 2018-19 fiscal year, we tested payments from five high school clubs (two clubs were the same as the prior year) and two from the elementary schools with the highest disbursements. This gave us a sample of 103 disbursements totaling \$227,091 for the period July 1, 2017 through June 30, 2019, which was 44 percent of the total disbursements of \$511,307. We did not select any clubs from the middle school because the clubs did not have any material disbursements during the two fiscal years. For the 103 disbursements, we reviewed payment order forms, invoices, other supporting documentation and for indications of audit by the District's claims auditor to determine whether disbursements were properly approved and for legitimate ECA purposes.
- We interviewed faculty advisors, and the central treasurer and District Treasurer from the Business Office to determine the processes regarding the collection, deposit, disbursement and reporting of ECA funds.

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/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

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

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?title=&body_value=&field_topics_target_id=263206&issued=All

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

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/sites/default/files/local-government/documents/pdf/2020-05/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

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

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

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