



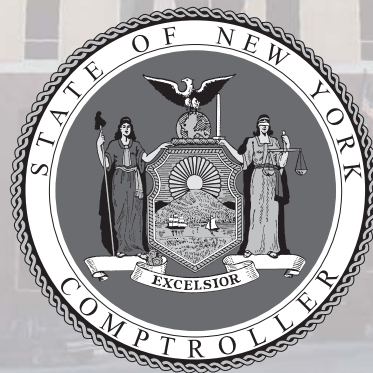
Alexander Central School District Internal Controls Over the Extra-Classroom Activity Fund

Report of Examination

Period Covered:

July 1, 2006 — June 30, 2008

2008M-222



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	2
INTRODUCTION	3
Background	3
Objective	3
Scope and Methodology	3
Comments of District Officials	4
EXTRA-CLASSROOM ACTIVITY FUND	5
APPENDIX A Response From District Officials	6
APPENDIX B Audit Methodology and Standards	8
APPENDIX C How to Obtain Additional Copies of the Report	9
APPENDIX D Local Regional Office Listing	10

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2008

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Alexander Central School District, entitled Internal Controls Over the Extra-Classroom Activity Fund. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Alexander Central School District (District) is located in the Towns of Alexander, Batavia, Bethany, and Darien in Genesee County and the Towns of Attica, Bennington, and Middlebury in Wyoming County. The District is governed by the Board of Education (Board) which comprises five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

There are two schools in operation within the District, with approximately 980 students and 180 employees. The District's budgeted expenditures for the 2007-08 fiscal year were \$15 million, which were funded primarily with State aid, real property taxes, and grants.

Extra-classroom activity funds are received from activities conducted by students. Students raise and spend these funds to promote the general welfare, education, and morale of all students, and to finance the normal and appropriate extracurricular activities of the student body. The District reported 42 clubs in its extra-classroom activity fund, which recorded more than \$122,000 in receipts and \$116,000 in disbursements during the 2007-08 fiscal year and had a combined cash balance of approximately \$60,000 as of June 30, 2008.

Objective

The objective of our audit was to determine whether the District's internal controls over the extra-classroom activity fund were adequate. Our audit addressed the following related question:

- Are internal controls over the extra-classroom activity fund appropriately designed and operating effectively?

Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, payroll and personal services, and information technology. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in the extra-classroom activity

fund and, therefore, we examined internal controls over the extra-classroom activity fund for the period July 1, 2006 to June 30, 2008.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

**Comments of District
Officials**

The results of our audit have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report.

Extra-Classroom Activity Fund

The Regulations of the Commissioner of Education require each school district's Board of Education to make rules and regulations for the establishment, conduct, operation and maintenance of extra-classroom activities, and for the safeguarding and accounting of all moneys received. This includes adopting policies and procedures that describe the records that District personnel and students must maintain, and the duties and control procedures to be used. For example, money collected by a student organization should be supported by duplicate press-numbered receipts, cash register records, or sales tally sheets. Cash totals on these documents should agree with the amount deposited. Furthermore, duplicate deposit slips should be prepared and signed by both the faculty advisor and the activity treasurer. A well-designed system of internal controls over these funds helps minimize the risk that errors or irregularities may occur and remain undetected.

We reviewed the District's policy manual for any relevant policies and procedures, and made inquiries of District officials about procedures followed. We also tested the support for cash receipts, totaling \$9,000, and disbursement activities, totaling \$5,650, related to the Social Studies Club for 2007-08 fiscal year. We requested and reviewed supporting documents such as bank statements, duplicate deposit tickets, and paid claims. We compared recorded cash receipts with bank deposits to determine if deposits were made timely and reviewed disbursements to determine if they were adequately supported.

We found that the District's internal controls over the extra-classroom activity fund had been appropriately designed and were operating effectively. Our testing revealed only minor deficiencies, which we discussed with District officials to help them improve controls in this area.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page.



November 24, 2008

Robert E. Meller, Chief Examiner
Office of the State Comptroller
Division of Local Government Services
295 Main Street, Room 1032
Buffalo, New York 14203-2510

Dear Mr. Meller,

Please accept this letter as my official response to the Audit Examination of the Alexander Central School District. The audit performed by the New York State Comptroller's Office encompassed the period of July 1, 2006 through June 30, 2008. The Alexander Board of Education and administration have reviewed the draft report and are understanding of the results.

The audit determined that the District's internal controls over extra-classroom accounts were appropriately designed and operating effectively however, as a result of the audit some suggestions have been made and implemented that will result in improved controls.

The District found the audit process to be both a positive and helpful experience. [REDACTED] offered informal suggestions during the audit which will help us to improve our practices.

On behalf of the Board of Education I would like to thank [REDACTED] for the professional courtesy he extended to us during the audit.

If you require additional information please do not hesitate to contact me directly.

Sincerely,

Kathleen Maerten
Superintendent

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, payroll and personal services, and information technology.

During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions and reviewed pertinent documents, such as District policies and procedures manuals, Board minutes, and financial records and reports. In addition, we obtained information directly from the computerized financial databases and then analyzed it electronically using computer-assisted techniques. This approach provided us with additional information about the District's financial transactions as recorded in its databases. Further, we reviewed the District's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. Based on that evaluation we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided upon the reported objective and scope by selecting for audit those areas most at risk. We selected extra-classroom activities for further audit testing.

For extra-classroom activities, we reviewed the District's policy manual for any relevant policies and procedures, and made inquiries of District officials about procedures followed. We also tested the support for cash receipts and disbursement activities related to the Social Studies Club by requesting and reviewing supporting documents such as bank statements, duplicate deposit tickets, and paid claims.

We conducted our 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.

APPENDIX C

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Steven J. Hancox, Deputy Comptroller
John C. Traylor, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BUFFALO REGIONAL OFFICE

Robert Meller, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates
counties

SYRACUSE REGIONAL OFFICE

Eugene A. Camp, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence counties

BINGHAMTON REGIONAL OFFICE

Patrick Carbone, Chief Examiner
Office of the State Comptroller
State Office Building, Room 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins
counties

GLENS FALLS REGIONAL OFFICE

Karl Smoczynski, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Clinton, Essex, Franklin, Fulton, Hamilton,
Montgomery, Rensselaer, Saratoga, Warren, Washington
counties

ALBANY REGIONAL OFFICE

Kenneth Madej, Chief Examiner
Office of the State Comptroller
22 Computer Drive West
Albany, New York 12205-1695
(518) 438-0093 Fax (518) 438-0367
Email: Muni-Albany@osc.state.ny.us

Serving: Albany, Columbia, Dutchess, Greene,
Schenectady, Ulster counties

HAUPPAUGE REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau, Suffolk counties

NEWBURGH REGIONAL OFFICE

Christopher Ellis, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Orange, Putnam, Rockland, Westchester
counties