



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

June 2016

Jonathan Retz, Superintendent
Members of the Board of Education
Greene Central School District
40 South Canal Street
Greene, NY 13778

Report Number: P4-15-53

Dear Mr. Retz and Members of the Board of Education:

A top priority of the Office of the State Comptroller is to help school district officials manage their resources efficiently and effectively and, by so doing, provide accountability for money spent to support educational opportunities. The Comptroller oversees the fiscal affairs of districts statewide, as well as 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 operations and Board of Education (Board) governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard district assets.

In accordance with these goals, we conducted an audit of six school districts throughout New York State. The objective of our audit was to determine whether the Board ensured that the Central Treasurer (Treasurer¹) properly accounted for extra-classroom cash receipts and disbursements. We included the Greene Central School District (District) in this audit. Within the scope of this audit, we examined the policies and procedures of the District and reviewed cash receipts and disbursements for the period July 1, 2013 through April 2, 2015. 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 New York State General Municipal Law.

This report of examination letter contains our findings and recommendations specific to the District. We discussed our findings and recommendations with District officials and considered their comments, which appear in Appendix A, in preparing this report. District officials generally agreed with our recommendations and indicated they plan to initiate corrective action. At the completion of our audit of the six school districts, we prepared a global report that summarizes the significant issues we identified at all of the districts audited.

¹ The District has two employees that each perform the Treasurer duties.

Summary of Findings

While our testing of records disclosed no significant findings associated with those of the Treasurers, the Board and District officials should strengthen internal controls over the Treasurers' functions. Additionally, while some clubs maintained a complete second set of records as required, others were either missing records or did not maintain any records. As a result, we could not determine if all cash collections were turned over to the Treasurers for deposit and were in a timely fashion and intact.

Background and Methodology

The District is located in the Towns of Coventry, German, Greene, McDonough, Oxford and Smithville in Chenango County; the Towns of Barker and Triangle in Broome County and the Town of Willet in Cortland County. The District is governed by a five-member Board. The Board has the responsibility for the general management and control of the District's financial and educational affairs, including the extra-classroom activity fund. The Superintendent of Schools (Superintendent) is responsible for recommending to the Board the staff necessary to fulfill duties related to extra-classroom activities, including the Treasurers. The Treasurers have custody of all extra-classroom funds, including checks and cash receipts. The Business Manager oversees the duties of the Treasurers and provides extra-classroom financial reports to the Superintendent and Board.

A faculty advisor guides and advises the students in planning extra-classroom activities and financial budgets, along with providing oversight of the deposit and disbursement of money, recordkeeping and, from time to time, checking the balancing of the student activity treasurers' (student treasurer) accounts and the completeness of the supporting evidence. The faculty advisor is to work toward ensuring the largest educational return from the activities participated in by the students. The student treasurer is more directly involved in the receipt and disbursement of money and is responsible for maintaining a ledger showing all receipts and disbursements and indicating a daily running balance.

There are 31 active extra-classroom activities within the District, most having their own student treasurer and faculty advisor, which report financial activities to the Treasurers. Students receive funds for extra-classroom activities from a number of sources such as admissions, membership dues, sales, campaigns and donations. This money may be spent in any reasonable manner. The extra-classroom activity fund had approximately \$200,000 in receipts and \$204,000 in disbursements for the 2013-14 school year.

We examined the controls relating to extra-classroom activities cash receipts and disbursements of the District for the period July 1, 2013 through April 2, 2015.

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

Audit Results

The Regulations of the Commissioner of Education (Regulations) of the New York State Education Department (SED) were formulated not only to safeguard the funds of extra-classroom activities, but also to provide school districts with the opportunity to teach students good business procedures through participation in handling such funds and operating a successful business. For many students, this may be the only business training they will receive in school. SED also published a pamphlet which presents a plan for the management and accounting of these funds. The Board is to follow this plan or make its own plan, which includes rules and regulations for the conduct, operation and maintenance of extra-classroom activities and for the safeguarding, accounting and auditing of all money received and derived therefrom. This plan shall include adopting policies and procedures that describe the records that District personnel and students must maintain and the duties and control procedures to be used.

The District did not have a Board-adopted policy specifying that extra-classroom funds be handled in accordance with the regulation for the safeguarding, accounting and auditing of these funds as prescribed by the Regulations. However, officials created detailed procedures for the faculty advisor and student treasurer positions. The Business Manager stated that these procedures are to be used in accordance with the Regulations.

District officials put oversight controls in place, whereby the Business Manager reviews the Treasurers' monthly bank reconciliation reports and bank statements. However, this oversight does not include the review of the canceled check images, general ledger or other subsidiary records. Thus, additional oversight of the Treasurers' activities is necessary to mitigate remaining internal control weaknesses. Additionally, some clubs partially maintained or did not maintain a second set of receipt or disbursement records in accordance with District procedures and the Regulations.

Cash Receipts – District policies and procedures should describe the records that the faculty advisors and student treasurers must maintain and the duties and control procedures to be used. These should detail procedures and records to be used including such things as central tracking of fundraising activities, pre-numbered tickets or some other tracking of admissions, pre-numbered duplicate receipts, evidence that all money was turned over to the Treasurers (including types of money), individual club ledger requirements and profit and loss statements.² Profit and loss statements must contain sufficient detail so the Treasurers can determine the total items sold and the prices charged for each item.

The policy relating to the faculty advisors and student treasurers' financial responsibilities over cash receipts were adequate. However, District officials did not ensure that all procedures were performed and that all required records were maintained at the club level. Generally, the Treasurers maintained all necessary records for cash receipts. The Board did provide some standard forms³ for use by the staff related to extra-classroom activities, with the exception of profit and loss statements. Although the cash receipt forms used by the clubs were not pre-numbered, the Treasurers did issue pre-numbered duplicate receipts to the student treasurers upon receiving and reconciling the cash to the cash receipt form. However, there was no standard process used to identify if all money collected by the student treasurers was recorded on the deposit forms. While

² A profit and loss statement summarizes the revenues, costs and expenses incurred during a specific period of time.

³ These forms included duplicate student activity deposit and payment vouchers and sales tax forms.

most clubs did have student treasurers maintain the club ledgers and forms, those of the Primary and Intermediate schools did not.

District officials informed us that due to the age of the students in these two schools, there are no student treasurers and the building principals serve as the faculty advisors. However, this does not remove the dual record requirement according to the Regulations. Moreover, faculty advisors were not required to notify the Treasurer of fundraising activity,⁴ nor did any clubs prepare profit and loss statements. However, as of September 2015, District officials provided evidence that the District now uses a form for the scheduling of fundraiser activities at each school. This form functions as a fundraiser approval and as a profit and loss statement. The Treasurers now approve these fundraisers which are then added to the appropriate school calendar on the District's website.

We reviewed 38 individual cash receipts totaling \$41,100 and found that all cash receipts were deposited in a timely fashion and intact by the Treasurers. However, 21 cash receipts totaling \$27,700 did not have adequate support at the club level to determine if all receipts collected were turned over intact to the Treasurers. Additionally, 22 cash receipts totaling \$27,750 were either submitted late or did not have adequate support at the club level to determine if all receipts collected were turned over to the Treasurers in a timely manner. Specifically, three of the cash receipts totaling \$480 were submitted by the clubs more than five days after receipt of the money. For 19 cash receipts totaling \$27,270, the documentation was either missing or not detailed enough to determine the date of collection.

District officials stated they make it a priority to remind faculty advisors and student treasurers of the required records that need to be kept, but that achieving total compliance among all clubs is difficult.

Cash Disbursements – The policies and procedures for disbursing extra-classroom activity money should ensure that the District only pays for goods or services that are supported by adequate documentation. The procedures and records to be used should include pre-numbered disbursing orders signed by the faculty advisor and student treasurer, support such as an invoice for these purchases, individual club ledger requirements and profit and loss statements. The requirement for multiple signatures on the disbursing order is essential to any plan, as it helps to ensure numerous levels of review prior to the disbursement being made. The Board must also ensure the Treasurers do not perform all aspects of the check writing process or implement compensating controls, such as requiring independent reviews of canceled check images to ensure disbursements are only for legitimate extra-classroom purposes.

Generally, cash disbursement forms were appropriately signed, adequately supported and maintained on file by the Treasurers. However, the Treasurers perform all aspects of the cash disbursement process with limited oversight. The Business Manager reviewed the monthly bank reconciliation reports for accuracy by comparing them to the bank statements. However this review did not include the canceled check images or supporting records from the Treasurers, such as the general ledger.

We reviewed 20 payments made to faculty advisors totaling \$5,700 and all had adequate support and were for proper club purposes. We reviewed an additional 30 individual disbursements totaling

⁴ Such as date of the event or collection and the purpose of the fundraiser

\$36,600 and found 16 disbursements totaling \$23,000 did not have a complete set of records at the club level. For example, these disbursements did not have a signed disbursement form on file, and seven of these, totaling \$11,200, were also not recorded in a club ledger. Six of these seven disbursements were from the Primary and Intermediate schools.

These weaknesses occurred because District officials did not fully enforce the Regulations' requirements for its primary and intermediate school clubs and believed their level of oversight was sufficient.

When cash receipts are not supported by appropriate documentation, it is difficult to determine if the actual amount collected was remitted to the Treasurers and in a timely fashion. This results in the District facing an increased risk of fraud or misuse of these funds. Without retaining records from prior periods, faculty advisors and student treasurers may not have records available for audit or review. When District officials do not establish effective controls over cash disbursements, money disbursed may be for inappropriate purposes. Without adequately segregating incompatible duties, the District faces an increased risk of financial errors or irregularities for extra-classroom activities.

Recommendations

The Board should:

1. Adopt policies and procedures, including those required by the SED pamphlet, and ensure they are enforced by District officials involved in extra-classroom activities.
2. Separate or establish proper compensating controls over the duties of the Treasurers.

The Board and Treasurers should:

3. Ensure that the faculty advisors submit receipts to the Treasurers in a timely manner.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of Education Law, and Section 170.12 of the Regulations, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. 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 Board should make the CAP available for public review in the District Clerk's office.

We thank the officials and staff of the District for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Greene Central School

Jonathan R. Retz, Superintendent of Schools



40 SOUTH CANAL STREET
GREENE, NEW YORK 13778
Telephone (607) 656-4161, ext. 210
FAX (607) 656-9362

February 25, 2016

Office of the State Comptroller
110 State Street
Albany, NY 12236

Re: *Greene Central School District Financial Condition Audit Draft Report – P4-15-52*

To Whom it May Concern:

The Greene Central School District has received on January 22, the draft audit noted above. This draft Audit Report was reviewed by the Superintendent of Schools and the District's Business Manager. Additionally, a closing conference was conducted to further discuss the draft audit and the response process. This conference was attended by the Auditors, and representing the District; the Superintendent of Schools, Business Manager and the President of the Board of Education.

After reviewing the draft, the District generally agrees with the findings and has already taken steps to address the Recommendations noted.

The District will use this Audit as a resource to guide ongoing efforts to improve all processes, protocols and further improve the District's management of public funds. The District will continue to consult legal counsel to ensure that regulatory requirements are met and proper procedures and protocols are in place. We wish to thank the Comptroller's Office and in particular, the staff who conducted the audit.

Respectfully,

Jonathan R. Retz
Superintendent of Schools

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective, we reviewed the operations of the District extra-classroom activities for the period July 1, 2013 through April 2, 2015. Specific areas addressed in our audit included the cash receipts, cash disbursements and records and reports used.

Our procedures included the following:

- We reviewed the Regulations as set forth by the Commissioner of Education for the treatment of extra-classroom activity funds from SED pamphlet number 2.
- We interviewed District officials and reviewed documentation relevant to the receipts and disbursements process (certified public accountant audits for June 30, 2011 through 2014, extra-classroom activities general ledger and club sub-ledgers) and applicable District policies relating to the extra-classroom activities.
- We judgmentally selected and reviewed the cash receipts for six clubs and the cash disbursements of six clubs by selecting clubs with greater than 5 percent of the total collected or paid in 2013-14. We also randomly selected and reviewed the cash receipts and disbursements of two additional clubs.
- We examined 10 percent of the receipts collected for each club selected. We traced receipts from the general ledger, to the Treasurers' triplicate receipt, to the student activity deposit form and to the bank statement to verify receipts were deposited in a timely fashion and intact. We judgmentally selected this sample by starting with the first receipt on the ledger and selecting every fourth for review.
- For 2013-14, we judgmentally selected receipts from four large fundraisers totaling \$17,500. We traced the fundraiser from the student treasurer records (if available) to the Deposit and Payment Voucher Form prepared by the Treasurers, to the deposit ticket from the bank and to the general ledger to determine if all receipts and disbursements were accounted for. We noted the deposit composition where applicable and compared this to the deposit ticket from the bank. We performed the same test in 2014-15. However, for this fiscal year, we judgmentally selected one large fundraiser totaling more than \$1,000.
- We examined 10 percent of the disbursements for each club selected. We selected checks from the canceled check images on the bank statement by selecting the first check for the clubs tested starting in July and skipping the next two checks to select the next disbursement for testing. If that check was for a club already tested or a club we did not test, we then continued reviewing checks and picked the next check for the clubs we were testing. We verified the payee and amounts match, that the disbursement was supported by documentation and for proper club purposes.

- We reviewed 20 canceled check images totaling \$5,700 for the scope period and selected all checks in each club selected paid to the faculty advisor or student treasurer to ensure they were supported by documentation and for proper club purposes. We also reviewed all canceled check images for the scope period for any paid to cash or to the Treasurers to ensure they were supported by documentation.
- We judgmentally selected a sample of one month in both 2013-14 and 2014-15 and compared the Treasurers' bank reconciliations with the bank statements to determine if the reconciliations were accurate. We also judgmentally selected a sample of six clubs in each of the two months and verified that the cash balances on the Treasurers' monthly reconciliation report agreed with the clubs' ledgers.

We conducted this performance audit in accordance with 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 finding and conclusions based on our audit objective.