

# Westhampton Beach Union Free School District

## Extra-Classroom Activity Funds

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APRIL 2021

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

# Contents

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- Report Highlights . . . . . 1**
  
- Extra-Classroom Activity (ECA) Funds . . . . . 2**
  - How Can the Board Ensure ECA Funds Are Properly Collected,  
Recorded and Disbursed? . . . . . 2
  - Cash Collection Records Were Not Adequate . . . . . 3
  - Students Were Not Involved With All ECA Activities . . . . . 4
  - What Do We Recommend? . . . . . 4
  
- Appendix A – Response From District Officials . . . . . 6**
  
- Appendix B – Audit Methodology and Standards . . . . . 7**
  
- Appendix C – Resources and Services . . . . . 9**

# Report Highlights

## Westhampton Beach Union Free School District

### Audit Objective

Determine whether Westhampton Beach Union Free School District's (District's) clubs properly accounted for, supported, deposited and used extra-classroom activity (ECA) funds.

### Key Findings

The ECA clubs did not maintain adequate records. Therefore, we could not determine whether all funds received and disbursed were properly accounted for.

- Deposits were not always supported by school deposit forms or accurately completed bank deposit slips and activity logs.
- Of the collections we reviewed, \$82,592 (95 percent) were not supported by a duplicate press-numbered receipt.
- Twenty-one of the 24 ECA clubs did not maintain ledgers.
- Deposit slip compositions did not always match records provided to the central treasurer.
- No profit and loss statements were prepared

In addition, while ECA clubs provide schools with the opportunity to teach students good business procedures through participation in handling the funds and operating a successful business, District officials did not ensure that students were adequately involved with ECA activities.

### Key Recommendations

- Maintain separate club records including deposit slips, duplicate press-numbered receipts and ledgers and activity logs, and prepare profit and loss statements.
- Ensure activity logs and check copies match the deposit slips before depositing funds.

District officials generally agreed with our recommendations and indicated they will take corrective action.

### Background

The District is located in the Town of Southampton in Suffolk County. The seven-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	1,833
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#### Extra-classroom Activity

Active Clubs	24
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Audit Period Receipts <sup>a</sup>	\$117,567
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Audit Period Disbursements <sup>a</sup>	\$123,545
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<sup>a</sup> Does not include transfers

### Audit Period

July 1, 2018 – December 31, 2019

# Extra-Classroom Activity (ECA) Funds

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ECA funds are administered by and for the benefit of the 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. Funds are usually collected by students from a number of sources (e.g., admissions, membership dues and sales) and are spent as they see fit within established regulations.

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

The Regulations of the Commissioner of Education (Commissioner's Regulations)<sup>1</sup> of the New York State Education Department (SED) were formulated to safeguard ECA funds and provide schools with the opportunity to teach students good business procedures through participation in handling the funds and operating a successful business. The Commissioner's Regulations require that the board and district officials adopt and implement policies and procedures to protect ECA fund money.

ECA clubs must maintain separate, independent sets of records and a school district board should appoint a central treasurer to maintain custody of all ECA funds, including depositing funds, preparing disbursements for signature and maintaining the central accounting records. Additionally, a faculty auditor must be appointed to reconcile the ECA clubs' records to the central treasurer's records. Each ECA club 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 developed its policy and procedures to provide guidance for the safeguarding, accounting and auditing of the District's ECA fund operations. The District's written policy 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 document accurately 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 policy requires that funds be placed in a locked safe until it is possible 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 (in the same amount and form as received) and in a timely manner to prevent loss or misuse and disburse ECA clubs' money only upon

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<sup>1</sup> Regulations of the Commissioner of Education (Commissioner's Regulations), 8 CRR-NY 172

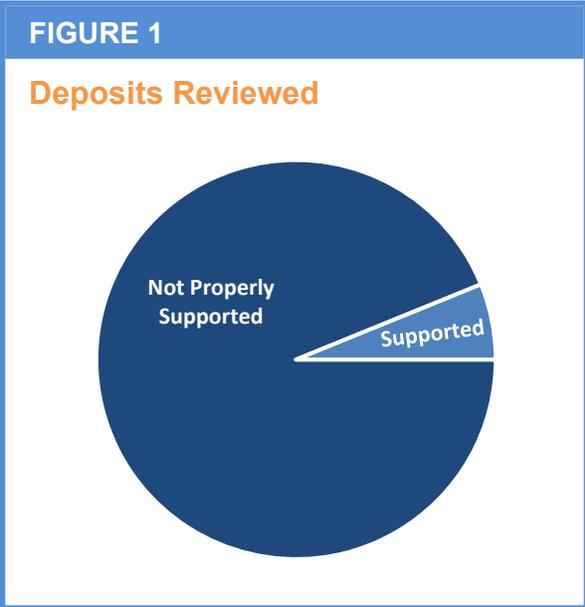
receiving payment orders signed by the student treasurer and faculty advisor. Disbursements should have documentation to support the expenditures, such as itemized receipts or invoices. The central treasurer should not have any payment approval responsibilities.

### Cash Collection Records Were Not Adequate

The District had 24 active ECA clubs with deposits totaling \$117,567 during our audit period. We requested all records from nine of the clubs. We also tested all 65 deposits with recorded collections totaling \$87,300 (more than 74 percent of total deposits for all 24 clubs). These deposits were not always supported by school deposit forms or accurately completed bank deposit slips.

We found that 61 deposits totaling \$82,592 (95 percent) were not supported by duplicate press-numbered receipts (Figure 1). This occurred because faculty advisors did not always ensure club members issued duplicate press-numbered receipts or some other method to accurately document collections - such as a daily sales report - when they collected funds.

Furthermore, the District uses an activity log to document funds remitted to the central treasurer. Each ECA club is supposed to maintain a log for each activity where funds are collected. These activity logs should record when the funds are deposited, the breakdown of the deposit (cash, coins, checks) and signatures of the student treasurer, faculty advisor and central treasurer and include copies of any checks included in the deposit. However, of the 61 deposits where clubs did not give receipts, eight of these deposit slips for \$32,906 did not reflect the same amount and number of checks as the check copies submitted to the central treasurer.



Lastly, while the central treasurers were able to provide all activity logs, the nine ECA clubs tested did not have 49 of the 65 logs and only three clubs tested maintained any kind of ledger. In addition, none of the clubs prepared profit and loss statements to analyze the profitability of their activities.

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Because the clubs do not maintain adequate records, we cannot determine whether all money collected was accounted for, properly remitted and deposited intact and in a timely manner, and we cannot analyze the profitability of ECA activities. While we determined these issues were primarily a result of poor recordkeeping, the District is at risk of ECA funds being lost or misappropriated unless it improves its controls.

### **Students Were Not Involved With All ECA Activities**

We interviewed nine faculty advisors who represented nine different clubs and asked if students were involved with the maintenance of the clubs' accounting records. Eight clubs had student treasurers actively maintaining records with the advisors' assistance, and one - the Elementary Yearbook club - had no student involvement.

The Assistant Superintendent for Business informed us that faculty advisors are provided with a copy of the District's policy that states student treasurers are responsible for maintaining the records with the faculty advisors' assistance.

Furthermore, upon testing 42 disbursements totaling \$49,635 made by eight clubs (approximately 40 percent of the 144 disbursements totaling \$123,545 made by all 24 clubs), we found that seven disbursements totaling \$5,263 (11 percent of those tested) were not signed by the student treasurers. Three of these were for the Elementary Yearbook club. Managing ECA club finances is meant to be a learning experience for student club members. By not having students involved in all aspects of managing ECA finances, students miss a learning opportunity. Furthermore, with no student involvement, the Elementary Yearbook club does not qualify as a bona fide club.

### **What Do We Recommend?**

District officials should:

1. Ensure student treasurers sign all club disbursements.
2. 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.
3. Ensure clubs maintain club ledgers and activity logs with dates and prepare profit and loss statements.
4. Ensure students are involved in the Elementary Yearbook club or cease accounting for these activities as an ECA club.

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By not having students involved in all aspects of managing ECA finances, students miss a learning opportunity.

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The central treasurers should:

5. Ensure that activity logs and check copies match the prepared deposit slips before depositing funds, working with the student treasurers to reconcile any differences.

# Appendix A: Response From District Officials

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WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT  
OFFICE OF THE SUPERINTENDENT  
340 MILL ROAD, WESTHAMPTON BEACH, NEW YORK 11978-2045  
(631) 288-3800 FAX: (631) 288-8351

Michael R. Radday  
*Superintendent of Schools*

March 15, 2021

Mr. Ira McCracken, Chief Examiner  
Division of Local Government and School Accountability  
Office of the State Comptroller  
Hauppauge Regional Office  
NYS Office Building - Room 3A10  
250 Veterans Memorial Highway  
Hauppauge, NY 11788-5533

Re: Westhampton Beach Union Free School District  
Extra Classroom Activity Funds, Report of Examination 2021M-9

Dear Mr. McCracken:

The Westhampton Beach Union Free School District acknowledges receipt of the above referenced draft report of the recent audit conducted by your office. We have reviewed the report and concur with its findings.

A corrective action plan is being developed and will be approved by the Board of Education at its meeting on April 5. The corrective action plan will be forwarded on April 6.

The District would like to express its appreciation to the Office of the State Comptroller and commend the members of the audit team for the professional and courteous manner in which they undertook their important responsibilities.

Very truly yours,

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Michael R. Radday  
Superintendent of Schools

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Suzanne M. Mensch  
Board of Education President

## Appendix B: Audit Methodology and Standards

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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:

- To gain an understanding of ECA policy and procedures, we interviewed District officials, central treasurers, auditors and faculty advisors from each of the schools. We also reviewed the Education Law, Commissioner's Regulations, the District's written policies and other documentation to obtain an understanding of the policy and procedures governing ECA activities. We determined whether all clubs meet the State's definition of a bona fide club.
- We reviewed Board minutes to determine whether the District appointed a central treasurer and an auditor for each of the three schools and whether the appointments were documented in the minutes.
- We requested and reviewed the financial reports that the central treasurer creates. We determined whether there was a signature of approval from the central treasurer. We determined whether bank statements were kept with bank reconciliations. We determined what documents and forms the central treasurers give to the ECA clubs.
- We reviewed the financial records and documents that each club maintains. We examined whether signatures from advisors and students were on the appropriate documents. We also determined whether clubs issued receipts for cash received and logged all collections, maintained copies of checks received with deposit packets and invoices or receipts with disbursement packets, and whether each club had a club charter application on file. We determined whether the deposits were recorded properly and in a timely manner.
- We examined the purposes of the disbursements from each ECA club, determined whether all disbursements had approvals, whether all supporting documentation was attached, and what date the disbursements were posted to the bank.
- For the disbursements testing, we used our professional judgment and selected four clubs from the High School, three clubs from the Middle School and one club from the Elementary School. From these eight clubs, we examined all 42 disbursements greater than \$50, which totaled \$49,635.
- For the cash receipts testing, we used our professional judgment and selected four clubs from the High School, four clubs from the Middle School and one club from the Elementary School. We then examined all 65 deposits for these nine clubs, which totaled \$87,300.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan

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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

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### **Regional Office Directory**

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional\\_directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/local-government](http://www.osc.state.ny.us/local-government)

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

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**HAUPPAUGE REGIONAL OFFICE** – Ira McCracken, Chief Examiner

NYS Office Building, Room 3A10 • 250 Veterans Memorial Highway • Hauppauge, New York  
11788-5533

Tel (631) 952-6534 • Fax (631) 952-6091 • Email: [Muni-Hauppauge@osc.ny.gov](mailto:Muni-Hauppauge@osc.ny.gov)

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