

Tuckahoe Common School District

Extra-Classroom Activity Funds

JANUARY 2019



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

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Report Highlights

Tuckahoe Common School District

Audit Objective

Determine whether all extra-classroom activity (ECA) funds were deposited complete and in a timely manner, and whether all disbursements were properly supported and for legitimate ECA purposes.

Key Findings

- The Board did not appoint a faculty counselor, faculty auditor or a central treasurer as required.
- The Central Treasurer recorded receipts for three clubs totaling \$37,911. However, none of these clubs maintained sufficient documentation to determine how much was collected or that receipts were accounted for.
- We reviewed 28 deposits totaling \$31,521 and found four deposits totaling \$4,086 were deposited between 11 and 14 days after the date the faculty advisor brought the funds to the Business Office.
- We reviewed 20 disbursements totaling \$32,553 and found two cash advances totaling \$1,780 did not have the proper approvals.

Key Recommendations

- Appoint a faculty counselor, auditor and central treasurer.
- Ensure that clubs are maintaining detailed independent records.
- Ensure that cash advances are approved by the appropriate District officials.

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

Background

The Tuckahoe Common School District (District) is located in the Town of Southampton in Suffolk County. The three-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 Interim Business Official¹ oversees the District's business operations, including developing and administering the budget.

Quick Facts

Employees	125 full and part time
Students	327
ECA Clubs Receipts for the Audit Period	\$45,283
ECA Clubs Disbursements ^a for the Audit Period	\$39,854
<small>a Includes transfers</small>	

Audit Period

July 1, 2016 – November 30, 2017

¹ The former Business Official's employment with the District ended January 2018.

Extra-Classroom Activity (ECA) Funds

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

A school district's policies and procedures should provide adequate controls to safeguard ECA funds while encouraging student involvement. The New York State Commissioner of Education's (Commissioner's) Regulations recommend 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 ECA clubs.

These guidelines recommend that the board appoint a central treasurer to maintain custody of all ECA funds. It also recommends the appointment of a chief faculty counselor to coordinate the financial planning of all of the various clubs' projects and to consult with the faculty advisors. Additionally, it recommends the appointment of a faculty auditor to reconcile the ECA clubs' records with the central treasurer's records.

The Board Did Not Appoint All Required ECA Officers

The Board did not appoint a faculty counselor, faculty auditor or a central treasurer as required by the Commissioner's Regulations. Although not formally appointed by the Board, the District Treasurer performed the central treasurer's duties. She was responsible for receiving funds from the faculty advisors, disbursing club funds, preparing bank reconciliations, depositing funds and preparing reports for the Board.

Because the clubs had no faculty counselor, there was no one to advise the faculty advisors on financial planning or the records they should maintain. Additionally, with no faculty auditor, there was no one responsible for reviewing ledgers maintained by the ECA clubs and comparing them to the central treasurer's records.

Records for Cash Collections Were Not Adequately Maintained

The District adopted a policy to provide guidance on ECA funds. The policy states that all ECA funds shall be handled in accordance with the Commissioner's Regulations for the safeguarding, accounting and auditing of ECA funds.

The ECA clubs did not maintain a separate, independent set of records as required by the Commissioner's Regulations. The District uses a school deposit form to document funds that are being transferred from the clubs to the central treasurer. The form is signed by the faculty advisor of the ECA club depositing the funds. An account clerk in the Business Office enters the deposits. The central treasurer also prepares a duplicate receipt that remains in the Business Office but is available upon request from any ECA club.

We requested all records or receipts during the audit period from three of the District's six ECA clubs. The Central Treasurer recorded receipts for these three clubs totaling \$37,911 during the audit period July 1, 2016 through November 30, 2017. However, none of these clubs maintained sufficient documentation to determine how much was collected or that receipts were accounted for. One club was able to provide a ledger documenting collections totaling \$1,621. The ledger listed the activity and the names of the students that the funds were collected from. Although the form documented the collection in March 2017, it did not document the date of each collection and could not be traced to a school deposit form when funds were transferred to the Business Office. While the total cash receipts deposited by the central treasurer for this club were \$5,781, there is no assurance that all the funds collected by the club were deposited in the bank. We were also provided with pre-numbered receipts totaling \$14,026 from one of the clubs for a trip to Washington, DC.² However, the records were not available to trace the pre-numbered receipts to a school deposit form. Because the Central Treasurer recorded receipts totaling \$37,911 for these three clubs, there are funds that the ECA clubs have not recorded or issued receipts for which the Central Treasurer recorded as being received from them.

We believe these discrepancies resulted from poor recordkeeping and fraud did not occur. However, because the clubs did not maintain adequate records of all collections received, or records to trace the receipts that were documented to the Business Office, there is no assurance that all cash collected was transmitted to the Business Office, used for the intended purpose, and deposited in the bank.

Deposits Were Not Always Made In a Timely Manner

The ECA clubs deposited a total of \$45,049 during the audit period. We reviewed 28 deposits totaling \$31,521 recorded in the central treasurer's general ledger to determine whether the funds were deposited intact³ and in a timely manner. Because there was either no supporting documentation of the initial collection of funds, or no record of when the initial funds collected were brought to the Business Office, we compared the date that the club advisor brought the funds to the Business Office to the date it was deposited in the bank. We found that all the collections were deposited intact. However, not all the deposits were deposited in a timely manner. Four deposits totaling \$4,086 were made between 11 and 14 days after the date the faculty advisor brought the funds to the Business Office.

When funds are not deposited in a timely manner, there is an increased risk that ECA money could be lost or misused.

² All of the receipts from the Washington, DC trip of \$24,470 were from the three clubs we reviewed in our test of ECA deposits.

³ In the same amount and form (cash or check) as received

How Should ECA Clubs Approve Cash Disbursements?

The central treasurer is required to disburse money for ECA clubs only upon receiving payment orders signed by the student treasurer and faculty advisor of the respective clubs. According to the Commissioner's Regulations, disbursements should have supporting documentation, such as itemized receipts or invoices, to support the expenditures to be approved for payment. The guidelines also state that the central treasurer shall have no part in the approval of payments.

Advances can be made when certain activities, such as cash for trips, do not lend themselves to the normal procedures. The ECA club will prepare a payment order giving the essential facts regarding the activity. The payment order should be pre-audited and approved the same as any other payment order. After the trip or activity is completed, the ECA club should file with the central treasurer a detailed statement of actual expenditures with the supporting documentation and turn over any unexpended funds.

Cash Disbursements Were Not Always Properly Approved

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

The ECA clubs had 56 disbursements totaling \$39,630 during the audit period. We reviewed 20 disbursements totaling \$32,553 made on behalf of ECA clubs to determine whether they were approved and properly supported. These disbursements included 17 checks totaling \$30,573, two cash advances totaling \$1,780 and one returned check for \$200.⁴ The 17 checks had the proper approvals and supporting documentation. However, the cash advances did not have the proper approvals as required by the Commissioner's guidelines.

One advance for \$1,600 was for meal vouchers, bagels and a tour guide gratuity for a trip to Washington DC. Another advance for \$180 was for a bus driver tip and pizza purchased during a trip to New York City. In both instances, the cash was disbursed by the central treasurer prior to being approved by the Business Official. The Business Official's approval was obtained six and three days after the funds were disbursed for the Washington DC and New York City trips, respectively. Although it may not be practicable, after the trip, to obtain receipts for the gratuities and meal vouchers, the club advisors did not provide receipts for the purchase of the bagels (\$50) and pizza (\$80).

⁴ This check was received by an ECA club that was returned for insufficient funds. The Treasurer incorrectly recorded it as cash disbursement; however, it should have been a reduction of cash receipts.

When funds are not properly approved, supported by receipts or properly disbursed, there is no assurance that these funds are disbursed for legitimate ECA purposes.

What Do We Recommend?

The Board should:

1. Appoint a faculty counselor to coordinate financial activities and consult with club advisors. This individual can also ensure that records are maintained of cash collections received from the clubs.
2. Appoint a faculty auditor to reconcile the clubs' records to the central treasurer's records.
3. Pass a resolution to formally appoint the central treasurer.
4. Ensure that clubs are maintaining records including profit and loss statements for fundraising events, activity logs and receipts where practical.
5. Ensure that the club records are maintained in a manner that can be reconciled to the Business Office receipts.
6. Ensure that the clubs receive a copy of the central treasurer's receipts.
7. Ensure that the clubs issue pre-numbered receipts when possible.
8. Ensure that cash advances are approved by the appropriate District officials.
9. When practicable, ensure that receipts are retained and provided to the Business Office for expenditures paid by cash advances.

Appendix A: Response From District Officials



Tuckahoe Common School District

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SUPERINTENDENT

Mr. Leonard Skuggevik

BOARD OF TRUSTEES

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Mr. Robert E. Grisnik, Vice Chairman

Mr. Sean Hattrick, Trustee

January 7, 2019

Ira McCracken
Chief Examiner
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Re: Response to Draft Audit Report from the Tuckahoe Common School District

Dear Mr. McCracken,

We received your draft reports for Purchasing, Extra Classroom Activity Funds, and Financial Condition on December 6, 2018 and completed an exit conference with your representatives to discuss the accuracy and completeness of these reports on December 17, 2018.

It is our understanding that following our exit conference meeting certain discussions on information presented in the **Financial Condition** report regarding continuing trends in 2018 was removed. Also, language clarification regarding methodology was made to the **Extra Classroom Activity Funds** report.

With those adjustments made, we believe that the reports are presented accurately. Many of your recommendations have already been implemented to strengthen and improve our school operations.

The school district would like to thank you and your staff for their efforts in completing this audit. Please contact us if you need additional information and we look forward to receiving the final report.

Sincerely,

Leonard Skuggevik
Superintendent of Schools

Cc: Board of Trustees
Carl Fraser, Interim School Business Official
Katelyn Fretto, District Treasurer
Linda Springer, District Clerk- Executive Assistant

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 objective⁵ and obtain valid audit evidence, we performed the following audit procedures:

- We selected three out of six ECA clubs with the highest dollar amount of deposits, which was \$31,024, for the period July 1, 2016 through September 30, 2017 that was available for our review at the time. These deposits were 90 percent of the total ECA club deposits for this period. These three clubs had 56 deposits totaling \$37,911 for the entire audit period, July 1, 2016 through November 30, 2017. We selected 28 of these clubs' deposits totaling \$31,521, which was 92 percent of the total deposits for the audit period for these clubs. We requested any records from the ECA clubs for the initial collection of these receipts. We also reviewed school deposit forms, the central treasurer's ledger and bank statements to determine whether deposits were complete, timely and recorded accurately.
- We selected three out of six ECA clubs with 28 disbursements totaling \$30,374 for the period July 1, 2016 through September 30, 2017, which was 96 percent of the total ECA club disbursements for this period. We then quantified total disbursements for these three clubs for the audit period July 1, 2016 through November 30, 2017. These clubs had 32 disbursements totaling \$33,102 during the audit period. From these 32 disbursements, we selected every disbursement greater than \$50, with the exception of tax payments made directly by the Business Office. This left us with a sample size of 20 disbursements totaling \$32,553, which was more than 99 percent of the total dollar amount of disbursements for the audit period for these three clubs. One disbursement for \$1,302, which is included in the \$32,553 we reviewed, was allocated between one of the three clubs selected in our sample (\$618) and another club which was not in our sample (\$684). For these 20 disbursements, we reviewed the payment order forms, invoices and other supporting documentation to determine whether disbursements were properly approved and for legitimate ECA purposes.
- We interviewed the faculty advisors, District Treasurer, clerks from the Business Office and Business Official to determine the processes regarding the collection, deposit and disbursement of ECA funds.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

⁵ We also issued two separate audit reports, *Tuckahoe Common School District – Financial Condition* (2018M-191) and *Tuckahoe Common School District – Purchasing* (2018M-228).

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 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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