

Mamaroneck Union Free School District

Extra-Classroom Activities

SEPTEMBER 2018



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

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Report Highlights

Mamaroneck Union Free School District

Audit Objective

Determine whether extra-classroom activity (ECA) clubs and the central treasurer properly accounted for ECA collections and disbursements.

Key Findings

- The Board and District officials did not adopt and implement procedures governing the operations of ECA funds, as required.
- The central treasurer did not have supporting documentation for 30 receipts totaling \$137,837. Also, three clubs did not maintain supporting documentation for 39 cash receipts totaling \$168,491.
- For five collections totaling \$6,879, sales tax totaling \$473 was not set aside for remittance to the New York State Department of Taxation and Finance (State).

Key Recommendations

- Update and amend the ECA fund policy and establish written procedures to supplement it.
- Maintain records, supporting documentation and ledgers for all receipts and disbursements.
- Collect and remit applicable State sales tax.

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

Background

The Mamaroneck Union Free School District (District) serves the Village of Larchmont and most of the Town and parts of the Village of Mamaroneck in Westchester County. The District is governed by an elected seven-member Board of Education (Board) that is responsible for the general management and control of the District's financial and educational affairs.

The Superintendent of Schools is the District's chief executive officer and is responsible for, along with other administrative staff, the District's day-to-day management under the Board's direction. The Board appoints a central treasurer to oversee ECA funds and maintain activity records, fund receipts and disbursements.

Quick Facts

Active ECA Clubs	49
2016-17 ECA Collections	\$942,000
2016-17 ECA Disbursements	\$830,214
Total Cash Balance (All Clubs) as of June 30, 2017	\$355,532

Audit Period

July 1, 2016 – January 31, 2018

Extra-Classroom Activities

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 finance the normal and appropriate ECA of the student body. Funds are usually collected by students from a number of sources (e.g., admissions, membership dues and sales) and is spent as they see fit within established regulations.

How Should ECA Funds Be Safeguarded?

The Regulations of the Commissioner of Education (Regulations) 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 Regulations require that the Board and District officials adopt and implement policies and procedures to protect ECA fund money. SED published a pamphlet¹ that presents a plan for the management and accounting of ECA funds.

Each ECA must have a student treasurer and faculty advisor. Student treasurers, with the assistance of faculty advisors, are responsible for maintaining independent accounting records of collections and disbursements. Club members are responsible for collecting funds and remitting them to the student treasurer who then remits them to the central treasurer. When collecting money, club members should issue duplicate press-numbered receipts or use some other method to document the source, date, amount and purpose of cash collected, such as a daily sales report.

When student treasurers remit collections to the central treasurer for deposit, they must complete summary deposit forms, with the help of faculty advisors, indicating the composition, source, date and amount of collections, including the portion to be allocated for sales tax, if applicable. Student treasurers also must maintain copies of the deposit summary statements, check request forms² and supporting invoices.

In addition, student treasurers also should prepare profit and loss statements for all fundraising activities to analyze the profitability of those activities. The central treasurer is responsible for depositing ECA funds, preparing disbursements for signature and maintaining the central accounting records.

1 The Regulations provide additional guidance on how school districts should set up, account for and manage ECA clubs in SED's publication titled *The Safeguarding, Accounting, and Auditing of Extra-classroom Activity Funds* (Finance Pamphlet 2), which is available at www.p12.nysed.gov/mgtserv/accounting/extra_classroom_activities_fund.html.

2 Student treasurers submit check request forms to the central treasurer when they want to use their club's ECA funds to purchase goods and services.

The Board and District officials are responsible for protecting and providing oversight of ECA funds. They must adopt policies and implement procedures that describe the records District personnel and students must maintain and the duties and procedures they should follow to safeguard funds.

ECA Operating Procedures Were Not Implemented

The Board and District officials did not adopt and implement procedures governing the operations of ECA funds. As a result, the central treasurer and faculty advisors were not provided with guidelines to properly account for and oversee ECA clubs. We chose to review the records and activities of 25 percent (12 clubs) of the District's 49 ECA clubs and found the following:³

- Officials were unaware that the central treasurer and student treasurers did not maintain separate independent records to properly record and account for all cash collections and disbursements for each ECA.
- The middle school ECA clubs and one high school ECA club did not have student treasurers.
- Faculty advisors for all 12 clubs were unaware that duplicate press-numbered receipts should be issued when collecting money.
- Student treasurers' and the central treasurer's records in all 12 clubs were not reconciled to ensure accuracy.
- Only one student treasurer completed deposit summary forms and three student treasurers completed check request forms.
- Student treasurers for all 12 clubs did not complete profit and loss statements for activities.
- Faculty advisors of all 12 clubs were unaware that student treasurers must maintain copies of the deposit summary forms, check request forms and supporting invoices.

The central treasurer and faculty advisors were unaware that ECA clubs were required to follow procedures. Without adequate procedures in place, officials have little assurance that ECA funds are adequately safeguarded and properly accounted for.

³ Refer to Appendix B for further information on our sample selection.

How Should Collections Be Accounted For?

Club members are responsible for collecting money at fundraisers and other events and remitting the collections to the student treasurer. Student treasurers are responsible for accounting for the collections and remitting them to the central treasurer for deposit.

When collecting money, students should issue duplicate press-numbered receipts or use some other method to adequately document the source, date, amount and purpose for the collections, such as a daily sales report. Student treasurers should retain copies of duplicate receipts and/or daily sales reports, summary deposit forms and all other documentation supporting the collections.

Good business practices require that student treasurers and faculty advisors remit collections to the central treasurer, and that the central treasurer deposit collections, as soon as possible to prevent the risk of loss or misuse. Furthermore, the central treasurer must deposit collections intact⁴ to reduce the risk of irregularities occurring with the handling of funds.

All of the District's field trips are accounted for through ECA clubs. In fact, some clubs were created only for the purpose of holding a field trip. For example, the annual eighth grade field trip to Washington, D.C. is an ECA club that is organized by a school principal, and teachers begin collecting funds for the trip while students are in seventh grade.

For the field trips that were sponsored by a club, but not directly affiliated with the club, student treasurers were not required to retain documentation for the trips, such as attendance lists and cash receipts documentation. However, when ECA clubs themselves sponsor trips, events or ticket sales, student treasurers must complete and retain all required documentation.

Similarly, in certain cases, club members were not required to collect funds for activities or sales, such as for summer camps, yearbook and exam review book sales. In these situations, teachers or other District personnel collected ECA funds. For example, the District's high school athletic teams (varsity, junior varsity and modified teams) were accounted for through the high school athletic association, an ECA club.⁵ However, the association is run by the District's athletics department whose personnel collect funds directly from student-athletes related to team participation, such as purchasing equipment or uniforms.

⁴ In the same amount and form as collected

⁵ The District also accounted for athletics expenditures in the budget.

When District personnel other than ECA club members collect ECA funds, they must maintain a list of participants (attendance lists or lists of purchases by customer name) along with amounts collected from each participant and customer. This allows amounts collected to be reconciled with individual participants and customers to ensure that all funds collected were submitted to the central treasurer accurately and intact.

ECA Clubs Did Not Maintain Adequate Documentation for Collections

We chose to review the records and activities of 25 percent (12 clubs) of the District's 49 ECA clubs.⁶ During our audit period, the 12 clubs had total cash receipts totaling \$1.07 million. We traced 108 cash receipts⁷ totaling \$679,608 from the central treasurer's and club's records to the cash receipts to determine whether they had adequate supporting documentation.

Central Treasurer's Records – We found that all cash receipts for the 12 clubs were accurately accounted for in the central treasurer's ledger and deposited intact. However, District officials could not provide supporting documentation, such as copies of checks or detailed lists of concessions sold, for 30 receipts totaling \$137,837. For example, \$23,165 was collected for the seventh grade trip and \$21,276 was collected for the high school musical, but officials could not provide us with documentation to support the collections, such as an attendance list, the number of tickets sold or a detailed list of concessions sold.

Club Records – The high school music, middle school drama and high school Performing Arts Curricular Experience (PACE) clubs used online payment sites for certain events.⁸ As a result, they had adequate documentation for the events to substantiate the amounts collected compared to the tickets sold. However, this was not the case for the remainder of the cash receipts collected by these clubs.

Of the 12 clubs, 10 clubs sponsored trips⁹ and maintained attendance lists and a record of the amounts collected in total for the trips. However, when the student treasurers remitted the deposit summary sheets and the cash receipts for the trips to the central treasurer, they did not submit the attendance lists and a record of the total dollar amounts collected, which would have provided adequate supporting documentation for the collections.

6 See supra note 3.

7 This included collections for activities such as field trips and ticket and yearbook sales. Refer to Appendix B for further information on our sample selection.

8 High school and middle school musical productions and four PACE performances (theatrical, musical and dance)

9 All clubs except for the school store and middle school drama clubs sponsored trips.

The high school athletic association, student store and Future Business Leaders of America clubs maintained a cash ledger and deposit summary sheets, but did not maintain supporting documentation, such as copies of checks, press-numbered duplicate receipts or sales records, for 39 cash receipts totaling \$168,491.

- The high school athletic association runs several sports camps throughout the year. Although the club maintained attendance lists and total amounts collected by camp, staff did not forward this documentation to the central treasurer, and a student treasurer did not maintain the information in the club's records. For example, \$4,314 was collected for the 2016-17 football camp, of which \$3,400 was cash. Because staff did not provide supporting documentation to the central treasurer, District officials could not reconcile the participants to the amount collected to ensure that all funds collected were submitted to the central treasurer intact.
- The student store submitted \$12,711 to the central treasurer, of which \$12,347 was cash from sales of exam review books. However, the store did not maintain lists of how much was collected from the students or which teachers collected the cash receipts.¹⁰ Without a list of students who purchased the review books, the District cannot ensure that all money collected was submitted to the central treasurer intact.

In addition, we determined 15 of the 108 cash receipts totaling \$55,822 were taxable. Applicable sales tax totaling \$3,632 was remitted to the State for \$48,943 of these collections related to school store and yearbook club sales. However, sales tax totaling \$473 was not remitted to the State for \$6,879 of collections related to soda machine sales and concessions at a musical and a basketball tournament.

All the other clubs, which collected cash receipts for concessions, dance (ball or prom) tickets, sport-related yearbooks and apparel sales for fundraising, did not submit documentation to the central treasurer and did not remit applicable sales tax to the State. This occurred because the faculty advisors were unaware that certain sales were subject to sales tax. In addition, although all collections were submitted to the central treasurer, the central treasurer did not request information on sales tax from the clubs.

¹⁰ Teachers ordered the review books from the school store and collected cash from the students for the review books.

What Types of Records Should Be Maintained?

Student treasurers should maintain ledgers to account for all collections and disbursements that include daily running cash balances. Faculty advisors must guide student treasurers in entering information into their ledgers and periodically check the student treasurers' account balances.

To provide additional oversight of ECA operations, the Board should appoint a faculty auditor to review ECA financial records to determine whether adequate procedures are being used to account for ECA funds. The faculty auditor is responsible for reconciling the ECA bank account to the central treasurer's records at the conclusion of each month. The faculty auditor also should periodically compare the student treasurers' ledgers to the central treasurer's ledger to verify agreement between the ledgers and investigate any discrepancies.

Ledgers Were Not Always Maintained

We reviewed student treasurers' records for the 12 selected clubs during our audit period and found that three student treasurers maintained adequate records, including record of receipts, disbursements and a running cash balance that reconciled to the central treasurer's ledgers for both years. However, we found discrepancies with the remaining nine student treasurers' records, as follows:

- Three clubs did not have a ledger.
- Six student treasurers did not maintain the club's ledger. Instead, the ledgers were maintained by the clubs' faculty advisors.
- The faculty advisors for four clubs did not ensure that the student treasurers' ledgers reconciled to the central treasurer's records. For example, we found a deposit totaling \$1,060 for an April 2017 collection was incorrectly credited to the wrong club and had not been corrected. If the faculty advisors of either club had reconciled the student treasurers' ledgers to the central treasurer's records, or if the District had appointed a faculty auditor to routinely compare the ledgers, it is likely that this error would have been detected and corrected in a timely manner.

The faculty advisors and central treasurer told us they were unaware that the central treasurer's ledger should be compared with the student treasurers' ledgers. When student treasurers' ledgers do not agree with the central treasurer's ledger and are not periodically reviewed, the District has an increased risk that errors or irregularities in accounting for collections, disbursements and cash balances could occur and remain undetected.

What Do We Recommend?

The Board and District officials should:

1. Adopt and implement procedures governing the operations of ECA funds.
2. Establish procedures over ECA cash receipts and disbursements. In addition, ensure the central treasurer, faculty advisors and student treasurers are adequately informed about the District's policies and procedures.
3. Ensure that the central treasurer, faculty advisors and student treasurers follow specific requirements for the receipt and disbursement of ECA funds and maintain adequate and appropriate accounting records.
4. Appoint a faculty auditor to ensure that the central treasurer, faculty advisors and student treasurers comply with District policy.

Faculty advisors should:

5. Ensure student treasurers properly account for all ECA collections and issue press-numbered duplicate receipts or maintain some other record to provide adequate supporting documentation for collections.
6. Ensure the central treasurer receives supporting documentation for all ECA cash receipts that are remitted for deposit and the student treasurers properly account for all ECA receipts.
7. Ensure that student treasurers reconcile final fundraising activity, compare the items purchased and sold to cash collected and recorded, and prepare profit and loss statements.
8. Ensure applicable sales tax is collected and remitted to the central treasurer for remittance to the State.
9. Periodically reconcile the central treasurer's ledger with the student treasurers' ledgers to ensure the student treasurers are maintaining a complete and accurate record of all ECA funds.

Appendix A: Response From District Officials

MAMARONECK UNION FREE SCHOOL DISTRICT
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Robert I. Shaps, Ed.D.
Superintendent of Schools

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September 13, 2018

Tenneh Blamah, Chief Examiner
Office of the New York State Comptroller
Division of Local Government & School Accountability
PSU – CAP Submission
110 State Street, 12th floor
Albany, NY 12236

Dear Chief Examiner Blamah,

Please accept this letter from the Mamaroneck Union Free School District (the District) as both a response to the audit findings as well as a Corrective Action Plan. The item numbers below correspond to the Office of the State Comptrollers recommendations.

1. Recommendation: Adopt and implement procedure governing the operations of Extraclassroom Activities (ECA) funds.

Corrective Action: The Board of Education will adopt policies and the District will implement procedures governing the operations of the ECA funds.

2. Recommendation: Establish procedures over ECA cash receipts and disbursements. In addition, ensure the central treasurer, faculty advisors and student treasurers are adequately informed about the District's policies and procedures.

Corrective Action: The District will establish written procedures over ECA cash receipts and disbursements. District policies and procedures will be reviewed in training of the central treasurer, faculty advisors and student treasurers.

3. Recommendation: Ensure that the central treasurer, faculty advisors and student treasurers follow specific requirements for the receipt and disbursement of ECA funds and maintain adequate and appropriate accounting records.

Corrective Action: The Business Office will provide training and supplies to ensure proper recording of receipts and disbursements and maintenance of adequate records.

4. Recommendation: Appoint a faculty auditor to ensure that the central treasurer, faculty advisors and student treasurers comply with District policy.

Mamaroneck Union Free School District
www.mamkschools.org

Corrective Plan: The Board of Education will appoint a faculty auditor.

5. Recommendation: Ensure student treasurers properly account for all ECA collections and issue press-numbered duplicate receipts or maintain some other record to provide adequate supporting documentation for collections.

Corrective Action: Student treasurers will be provided with the training from the Central Treasurer and supplies to properly account for all ECA collections and maintain records to provide adequate supporting documentation for collections.

6. Recommendation: Ensure the central treasurer receives supporting documentation for all ECA cash receipts that are remitted for deposit and the student treasurers properly account for all ECA receipts.

Corrective Plan: The Business Office will provide training that will include teaching the central treasurer about required documentation and the training that they must provide to the central treasurers.

7. Recommendation: Ensure that student treasurers reconcile final fundraising activity, compare the items purchased and sold to cash collected and recorded, and prepare profit and loss statements.

Corrective Plan: The student treasurers will reconcile fundraising activity, compare the items purchased and sold to cash collected and recorded and prepare profit and loss statements for each club.

8. Recommendation: Ensure applicable sales tax is collected and remitted to the central treasurer for remittance to the State.

Corrective Plan: The District will provide guidance to ensure that applicable sales tax is collected and remitted to the central treasurer for remittance to the State.

9. Recommendation: Periodically reconcile the central treasurer's ledger with the student treasurers' ledgers to ensure the student treasurers are maintaining a complete and accurate record of all ECA funds.

Corrective Plan: The faculty auditor will periodically reconcile the central treasurer's ledger with the student treasurers' ledger to ensure complete and accurate record keeping.

The District would like to thank the examiners for their time, attention to detail and professionalism. Should you require any additional information please feel free to contact me. Thank you.

Sincerely,

Robert I. Shaps, Ed. D.

Mamaroneck Union Free School District
www.mamkschools.org

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:

- We interviewed District officials and reviewed SED guidance and the District's policy for safeguarding, auditing and accounting for extra-classroom activity funds.
- We selected and reviewed the records of 12 extra-classroom activity clubs (25 percent of all clubs). We chose a judgmental sample of five clubs from the middle school (Grade 8 trip to Washington, D.C., Grade 7 trip to the Sharpe Reservation, drama club musical, French club and the music club) and the high school (advanced placement exams, music department, Future Business Leaders of America, yearbook club and a high school athletic association) that had the highest cash receipt activity during our audit period and two randomly selected clubs (high school student store and the high school PACE club). We reviewed the cash receipts and disbursements and records of the selected clubs. We chose to review 25 percent of the total number of cash receipts for each club (108 total cash receipts) to determine our sample size and reviewed the cash receipts with the highest dollar amounts.
- We compared the selected 12 clubs' deposit summary forms with the central treasurer's accounting ledger to determine whether the information agreed.
- We reviewed deposit summary forms for the selected 12 clubs to determine whether applicable sales tax was collected, recorded in the central treasurer's records and student treasurers' cash receipts ledgers and adequately supported.

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.

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 District 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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