



Malverne Union Free School District

Extra-Classroom Activity Funds

2024M-84 | October 2024

Contents

- Report Highlights 1**

- Extra-Classroom Activity Funds 2**
 - How Should Clubs Collect, Record, Remit and Disburse ECA Funds? 2
 - Clubs Did Not Always Maintain Adequate Records of ECA Collections, Deposits and Disbursements 3
 - Clubs Did Not Properly Collect and Remit ECA Funds 5
 - Clubs Did Not Properly Disburse ECA Funds 6
 - How Should the Central Treasurer Collect, Record, Deposit and Disburse ECA Funds? 8
 - The Central Treasurer Did Not Issue Receipts and Did Not Always Make Timely Deposits 8
 - The Central Treasurer Did Not Properly Disburse ECA Funds 10
 - What Do We Recommend? 11

- Appendix A – Response From District Officials 13**

- Appendix B – Audit Methodology and Standards 14**

- Appendix C – Resources and Services 16**

Report Highlights

Malverne Union Free School District

Audit Objective

Determine whether the Malverne Union Free School District (District) Extra-Classroom Activity (ECA) clubs and the central treasurer properly collected, recorded, deposited and disbursed ECA funds.

Key Findings

The clubs and the central treasurer did not properly collect, record, deposit and disburse ECA funds.

- The central treasurer did not issue receipts or ensure student treasurers issued receipts for cash collections; 47 deposit request forms totaling \$113,667 did not contain required items such as student signatures and 30 collections totaling \$55,025 were not deposited within seven days of receipt as required. He also issued nine checks totaling \$44,548 for two clubs that did not have sufficient funds when the disbursements were made.
- Building principals did not retain cash collection logs from the safes where club money was placed before deposit and club advisors did not ensure student treasurers maintained complete and accurate records of financial activities.
- The central treasurer did not ensure that 126 check request forms totaling \$159,461 had the required items such as club advisor signatures.
- The central treasurer improperly signed the ECA director's name on 84 checks totaling \$130,127.

Key Recommendations

Issue receipts for all collections, appropriately complete deposit and check request forms, sign checks as appropriate, maintain independent accounting records and retain supporting records for financial activities.

District officials generally agreed with our findings and indicated they will initiate corrective action.

Audit Period

July 1, 2021 – June 30, 2023

Background

The District is located in the Town of Hempstead in Nassau County. The five-member Board of Education (Board) has overall responsibility for the District's financial and educational activities, including ECA funds.

ECA clubs are operated by and for the students. The clubs raise and spend funds to promote the general welfare, education and morale of all students and to finance extracurricular activities. Each club has a faculty advisor (club advisor) who assists the student treasurer and a student treasurer who maintains records for collections and disbursements, remits funds to the central treasurer and prepares check request forms for disbursements.

The Board-appointed central treasurer is responsible for collecting, recording, depositing and disbursing ECA funds. A director of student activities (ECA director) provides guidance to ECA club advisors for fundraising and financial activity requirements, and is the second signatory for ECA fund checks.

Quick Facts

Enrolled Students	1,797
Extra-Classroom Activity Clubs	
Active Clubs During the Audit Period	29
Club Activity for the Audit Period	
Collections	\$305,858
Disbursements	\$284,847

Extra-Classroom Activity Funds

ECA funds are generated by organizations within the school district whose activities are conducted by students, such as clubs, teams and student council. ECA funds are derived from a number of sources, such as admissions to paid events, sales and donations. Clubs also hold fundraisers to raise money for school trips and to support charities. The activities provide learning experiences to students in the business procedures needed to account for and safeguard ECA funds. These funds should be managed by students under the direct supervision of designated district personnel. Money should be spent at the discretion of the students within that club.

Each club has a club advisor and a student treasurer. Student treasurers, with the assistance of club advisors, should maintain supporting documentation for collections and disbursements, remit funds in a timely manner to the central treasurer and prepare check request forms for disbursements.

The District has 33 clubs, 24 in the high school and nine in the middle school. Twenty-nine clubs had financial transactions during the audit period. The District's ECA funds had deposits totaling \$305,858 and disbursements totaling \$284,847 between July 1, 2021 and June 30, 2023.

How Should Clubs Collect, Record, Remit and Disburse ECA Funds?

New York State Commissioner of Education's Regulations (Regulations), Title 8 Part 172, state that ECA funds should be managed by students, under the direct supervision of club advisors. Each club's student treasurer should maintain a set of records and supporting evidence for the collection and disbursement of that club's funds, remit collections to the central treasurer in a timely manner, prepare profit and loss statements for each fundraising activity, and prepare payment orders for disbursements. Club advisors should work with student treasurers in recording the clubs' financial activities to their account ledgers and ensure complete records and accurate balances are maintained. The Regulations also require the records to be retained for at least six years.

When collecting funds, students should accurately document the source, date, amount, form (cash and checks) and purpose of the amount collected. Club advisors are responsible for ensuring student treasurers maintain supporting evidence for collections. Students should prepare pre-numbered receipts in duplicate – one copy is provided to the purchaser and the other retained for club records. Student treasurers should reconcile the receipts issued to money collected. If duplicate receipts are not used, other documentation to support collections should be maintained and reconciled to the amount of funds collected under the supervision of an adult. Procedures should require that all clubs use pre-numbered tickets for admissions to any paid event. For events involving the sale of tickets, students should keep records of specific ticket numbers given to each ticket seller and require each ticket seller to return unsold tickets, along with money collected, and then reconcile the number of tickets sold to the money collected. Students should remit collections to the central treasurer as soon as possible.

When clubs need to disburse funds, the student treasurer should make payment requests – in duplicate – with the name of the payee, amount, activity and purchase order number, if applicable. One copy should be provided to the central treasurer and the other filed for the club's records. At minimum, the student treasurer and central treasurer should be involved in the disbursement of club funds.

District procedures state that all forms are to be signed by the club advisor and student treasurer. The procedures require clubs to complete a profit and loss statement for each fundraising activity. The District's profit or loss statement requires the following information: the name of the event for which funds are being raised, the club's name, the dates of the fundraising activities, anticipated and actual receipts and disbursements, and the dates of all actual receipts and disbursements related to the event.

Collections must be listed on a deposit form signed by the club's advisor and student treasurer. Per the procedures, clubs should indicate when cash was collected, the activity cash was collected for, the amount, the denomination of cash and from whom it was collected. Checks should be listed on the back of the deposit form with the check number, amount and the name of the person who paid. Deposits should be made within one week of the activity. In addition to the procedures, the deposit form itself requires a date, the central treasurer's signature and the central treasurer's deposit number.¹

For disbursements, the procedures instruct clubs to submit original invoices and receipts with check requests. Check request forms require the date, the name and address of the person or vendor being paid, the amount to be paid written numerically and in words, and the invoice number. The central treasurer must sign the form and note the check number and check date, and the person who collects the check must sign the check request form.

Lastly, procedures instruct club advisors to review the New York State Department of Education's handbook for ECAs for general guidance on handling and processing funds. At the beginning of each year, the central treasurer emails the District's procedures, required forms and the handbook referenced in its procedures to all club advisors.

Clubs Did Not Always Maintain Adequate Records of ECA Collections, Deposits and Disbursements

We requested the records and supporting evidence for the collection and disbursement of funds during the audit period for eight of the 29 active clubs during the audit period. All eight clubs reviewed had a student treasurer and a club advisor to provide guidance during the audit period.

Records – Of the eight clubs, three maintained adequate records of financial activities in account ledgers with supporting documentation for collections and disbursements. The remaining five clubs did not have a set of records or supporting evidence for all the collection and disbursement of that club's funds. Because sufficient records were not maintained, we could not confirm all funds collected and disbursed were accounted for.

- One club had student activities, but the club advisor said the club did not collect or disburse funds during the audit period. However, the club had no ledger to confirm its \$404 balance;
- One club collected \$4,596 and disbursed \$750 during the audit period but did not maintain a ledger of these activities; and

¹ The deposit number is created by the central treasurer for the high school and the middle school treasurer (MS treasurer) for the middle school. It is a count of the deposits for each school for the school year.

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- Three clubs had partial supporting documents for financial activities totaling \$98,839 in deposits and \$96,613 in disbursements. For instance, two middle school clubs each had a log of collections for student events, but no dates were indicated, and if students paid in installments, the previous payments were overwritten by the more recent ones. These same two clubs also had copies of some, but not all, of the vendor invoices used for payment requests.

Collections – One of the seven clubs that collected funds issued pre-numbered receipts, in duplicate, to document some, but not all, of its collections. The remaining six clubs did not issue any type of receipts when collecting funds and there was no process where at least two students worked together and were responsible for handling and recording the collections and reconciling the amount of funds collected to supporting documentation. Two of the seven clubs held events requiring admission tickets. However, neither of the two clubs retained unused pre-numbered admission tickets. Instead, the admission tickets were thrown away after the event.

Profit and Loss Statements – We requested the profit and loss statements for all fundraising events for the seven clubs that collected money. None of the clubs prepared profit and loss statements. The central treasurer told us, and club advisors confirmed, that he sits with club advisors to help them prepare the statements. Only the central treasurer had records of the statements and all statements were in the central treasurer's handwriting. Because student treasurers and club advisors did not prepare forms, the accuracy of actual collections and disbursements related to the events could not be determined independent of the central treasurer's records for all seven clubs.

District procedures do not instruct clubs to maintain records independent of the central treasurer's, issue receipts for collections or retain supporting documents for collections and payments. Therefore, club balances could not be confirmed independent of the central treasurer's records for five of the eight clubs.

- Club advisors for five clubs told us they rely on the central treasurer to provide their club balances, so they do not maintain their own ledgers and three of those clubs also did not make copies of forms for their records.
- The club advisor for two of the middle school clubs during the audit period told us that she retains records for the current year and discards documents at the end of each year once she gets confirmation from the central treasurer that the club's account is accurate. She explained that space is limited in her classroom and she did not know she had to keep the records beyond that year.
- The club advisor² for the clubs with ticket sales told us that the clubs sold most of their tickets online, using ticket sales vendors. The clubs created pre-numbered tickets and collected cash only on the days of the events. They used the unsold tickets to confirm their cash collection and then discarded the tickets. We confirmed that the clubs used vendors to sell a large amount of tickets online.

² The two clubs – one in the high school and the other in the middle school – have the same club advisor

The central treasurer told us he is aware that clubs should maintain their own account balances and not rely on him. He also said that he tells the club advisors to make copies of forms to retain for their clubs' records and informs them when there are changes to any forms so that they have it for their records and can track their balances.

When student treasurer ledgers are not maintained and periodically reviewed, clubs have an increased risk that errors or irregularities in collections, disbursements and cash balances could occur and remain undetected. Because clubs did not maintain adequate records of financial activities in account ledgers or retain the ledgers and documents that were maintained, we could not determine balances independent of the central treasurer's records for five of the eight clubs.

Clubs Did Not Properly Collect and Remit ECA Funds

We reviewed deposits and disbursements between July 1, 2021 and June 30, 2023 from seven clubs to determine compliance with Regulations and District procedures. All clubs used the required deposit and payment request forms when remitting collections to, or requesting funds from, the central treasurer. However, the clubs did not create the forms in duplicate, so they had no record of their own supporting the amount collected and remitted.

Our review of deposits included determining whether clubs:

- Remitted collections to the central treasurer in a timely manner;
- Adequately documented collection records with the purpose, date, source, amount and form (cash or check);
- Prepared detailed deposit slips for each activity;
- Ensured that deposit forms were signed by the student treasurer and club advisor, and
- Ensured that checks were listed on deposit forms with the name, amount and check number.

Ledgers for the three clubs that maintained sufficient records identified 32 collections totaling \$91,147. Four of the 32 collections totaling \$6,357 were submitted to the central treasurer between 16 and 39 days after the dates recorded in their ledgers and/or the dates on the deposit request forms. The remaining 28 deposits totaling \$84,790 showed no gaps between the dates recorded in the ledgers and the dates on the deposit forms. The club that issued pre-numbered receipts did not issue them in sequence, identify what the collections were for and did not always indicate the form of payment, the date or the amount collected. Therefore, collections were not supported by appropriate documentation making it difficult to determine if the actual amount collected was remitted to the central treasurer and deposited in a timely manner based on the issued receipts.

Because all clubs did not retain copies of forms for their own records and original forms were submitted to the central treasurer, we tested the central treasurer's records. Of the 69 collections totaling \$192,686 remitted to the central treasurer, 47 deposit forms (68 percent) totaling \$113,667 lacked multiple items and did not comply with District procedures (Figure 1).

Figure 1: Deposit Request Form Deficiencies

Description	Number	Amount
Lacked Original Student Signatures	18	\$62,785
Missing Names of Cash Patrons	42	53,071
Missing Check Numbers and/or Check Patron Names	12	45,986
Lacked Original Club Advisor Signatures	10	35,640

Club advisors did not ensure duplicate pre-numbered receipts were issued when funds were collected. The central treasurer told us he provides receipt books only to the clubs that request them and he only insists on the high school's senior class issuing receipts because it is important to help keep track of students' payments for the prom and senior trips.

The central treasurer told us that the names have never been noted on deposit forms when cash was collected by clubs. He explained that if a club had a pizza sale, the club would not document each person who bought a slice of pizza. However, while it might be reasonable to omit names for a collection such as pizza sales because the dollar amounts of each transaction are small, collections for larger-dollar transactions such as for class trips, dinner dances or graduation yearbooks and gowns, names should be documented because it further supports that records are accurate and ensures the records include the information required in the procedures.

When collections are not supported by appropriate documentation, it is difficult to determine if the actual amount collected was remitted to the central treasurer and deposited in a timely manner. This results in an increased risk of fraud or misuse of these funds. The club is the first point of contact for all money collected. Therefore, when student treasurers and club advisors do not maintain complete documentation to support collections, club members cannot be sure that clubs collected all the money due to them and the central treasurer cannot ensure that all money collected for clubs was accounted for and placed in the school safe in a timely manner and intact. Further, when collected cash remains undeposited for extended periods of time, the risk of loss or misuse increases.

Clubs Did Not Properly Disburse ECA Funds

We reviewed all payments from the same seven clubs, to determine if: payments included the names of payees, amounts, and activities; students were involved in disbursements as required; original receipts and invoices were attached; and the check request forms indicated who collected the checks once they were signed by the central treasurer.

There were 151 check request forms totaling \$183,400 for each of the 151 club disbursements. However, 126 forms (83 percent) totaling \$159,461 lacked multiple items and did not comply with procedures (Figure 2).

Figure 2: Check Request Form Deficiencies

Description	Number	Amount
Lacked Original Student Signature	84	\$82,032
Lacked Signature of Club Advisor Who Received the Check	25	48,880
Lacked Original Club Advisor Signature	31	33,818
Did Not Have Original Invoice Attached	16	30,697
Did Not List Vendor Address	12	8,314
Did Not Have Purchase Explanation	2	1,084

The central treasurer said he was more focused on making sure the forms were signed, and did not pay attention to whether signatures on the forms were original. The Assistant Superintendent told us that an internal audit report commented on the lack of required signatures during a 2020-21 audit. However, because the report was not issued until the middle of the 2021-22 fiscal year, corrective action was not implemented until the middle of the 2022-23 fiscal year. While we observed that most of the forms in the 2022-23 fiscal year did have all required signatures, they were not all original signatures as some signatures were simply photocopied from previous forms which would allow advisors to request the disbursement of money without the student treasurers input or knowledge.

The central treasurer also said that if vendor addresses were already in the accounting system, he would not need to return a form for the information. Also, he can tell the validity of the request because the invoices come from the clubs and not directly from the vendors. He can also tell the purpose from the description of the items. He further explained that some vendors send statements of account instead of invoices to clubs, which clubs attach to check request forms and he does not request invoices from the clubs in those instances. However, after the findings were discussed with him, he agreed that he should pay closer attention based on the issues identified and he said he will request invoices going forward. Lastly, the central treasurer told us that during the 2021-22 fiscal year he would generally take the prepared checks with the check request forms to the club advisors for their signatures at a later time, but he occasionally forgot. Otherwise, he would leave the checks in advisors' mailbox and tell them to sign the forms later but then did not follow up to ensure that the advisors signed the forms. In the 2022-23 fiscal year, he started leaving the check request forms with the checks in his mailbox and told the advisors to sign the forms when they take their checks. We confirmed that the issue was predominantly in 2021-22, which had 24 of the 25 instances.

Lack of adequate support for payments provides no assurance that club disbursements are for qualified or appropriate payments and missing or photocopied signatures circumvents the controls established to safeguard club funds. Because Regulations require ECA funds to be managed by students under the direct supervision of designated district personnel, when designated district personnel merely photocopy a student signature instead of involving them in the process, students are denied the learning experience ECA funds are intended to provide.

How Should the Central Treasurer Collect, Record, Deposit and Disburse ECA Funds?

The central treasurer is responsible for managing and controlling all ECA funds, including checks and cash collections remitted from clubs. As such, the central treasurer should have custody of all ECA funds collected by the clubs, issue and sign receipts for all funds placed in his/her custody, sign checks for disbursement, ensure that checks are prenumbered and issued in sequential order and supported by adequate documentation.

When money is remitted to the central treasurer, the central treasurer should issue a prenumbered receipt to the club treasurer or advisor, depending on who remitted the money. Duplicate deposit slips should be prepared and the copy of the slip with the central treasurer's signature should be returned to the club for its records. The central treasurer should issue checks only after auditing the club's payment request and original invoice and verifying that there are sufficient funds in the club's account. The central treasurer should keep a register in chronological order documenting all receipts and disbursements for each club.

- Receipts should include dates, source of money, receipt numbers, amounts and the club to be credited.
- Disbursements should include a description of the events or purpose, dates, persons receiving the payments, check numbers, voucher numbers and the club to be charged.

The District established procedures which requires ECA funds be kept according to good financial management and building principals are responsible for setting up receipt and payment procedures for their respective buildings.

Per building procedures (procedures), the collections must be remitted to the central treasurer using a deposit request form signed by the club advisor and student treasurer, cash and coins must be listed by denomination and checks listed by amount. The names of those from whom funds were collected should also be listed and the procedures state that the funds must be deposited within the week of activity, not within a specified number of days. Each activity must have its own deposit slip. All money, cash and checks, must be kept in the safe adjacent to the principal's office and the cash collection log (log) outside the safe must be completed. The log requires the date, name of the club and the amount being placed in the safe.

Payments require a check request form signed by the club advisor and student treasurer with the original receipts or invoices attached. ECA checks require the signatures of both the central treasurer and the ECA director.

The Central Treasurer Did Not Issue Receipts and Did Not Always Make Timely Deposits

Between July 1, 2021 and June 30, 2023, 27 of the 29 ECA clubs had collections totaling \$305,858. We reviewed deposits totaling \$192,686 from seven clubs. The central treasurer recorded and deposited all collections, recorded payments, signed checks, performed a monthly bank reconciliation and submitted monthly reports to the District Treasurer. The MS treasurer served as the liaison between middle school clubs and the central treasurer.

During the audit period, when high school clubs collected money to remit to the central treasurer for deposit, the clubs left the money, their deposit request forms and support with the secretaries in the principal's office to be put in the safe. The secretaries completed the log and placed the forms and money in the safe. At the middle school, the principal, assistant principal or principal's secretary opened the safe for clubs to leave collections and deposit forms and complete the log. The central treasurer retrieved club collections from the safe and completed the remaining sections of the log or received forms and support from the MS treasurer.³

The central treasurer reviewed deposit request forms and compared them to collected amounts. Per the central treasurer, if there were errors on deposit forms, he made the corrections and notified the club advisors when he informed them of the bank deposit date. He signed the deposit request forms, deposited collections at the bank, assigned a deposit number to each deposit request form and recorded deposits in the ECA accounting system. However, he did not provide clubs with receipts or copies of the signed deposit request forms with deposit numbers. Building principals did not retain the logs from the safe and the central treasurer did not retain copies of the logs or document the dates he collected funds from the safe.

The seven clubs sent 69 collections totaling \$192,686 to the central treasurer. All deposit request forms were signed by the central treasurer. We identified minor discrepancies between deposit request forms and the central treasurer's accounting records, but determined that all deposit form collections were recorded in the accounting system, assigned a deposit number and deposited to the bank. However, 30 deposits totaling \$55,025 were made between eight and 246 days after the date noted on the deposit request form. For example, a collection for one club totaling \$108 had a collection date of October 14, 2021 but the funds were deposited 246 days later on June 17, 2022. The central treasurer wrote a note on the deposit request form that he did not receive the form and funds until June when he made the deposit. However, there was no explanation for why the club held onto the funds for eight months. Lastly, while we were able to determine that amounts collected, as indicated on the deposit form, generally matched amounts deposited, we could not determine whether all collections were deposited intact (in the same amount and form as collected) because there were no club receipts to indicate the form in which the funds were received and the logs for the safe were discarded at year end.

The central treasurer told us he did not issue receipts to clubs for collections because he tells all club advisors to make copies of deposit request forms before remitting them, and he informs them when he makes deposits and corrections to deposit amounts so that they can update their records. Therefore, he believed issuing a receipt was not necessary. However, because the central treasurer did not issue receipts, and building principals did not retain the logs from the safe, we could not determine the timeliness of all collections remitted to the central treasurer and could not determine whether delays in deposit were due to the clubs or the central treasurer.

³ The principal, assistant principal or principal's secretary must also open the safe for the MS treasurer to retrieve funds.

The central treasurer also told us that he tries to make deposits within seven days, but is not always able to. For instance, if he is out sick, there is no back-up person to make deposits so the collections remain in the safe until he returns. Also, club advisors may place collections in the safe over a school break and those funds would not get deposited until he is back at work.

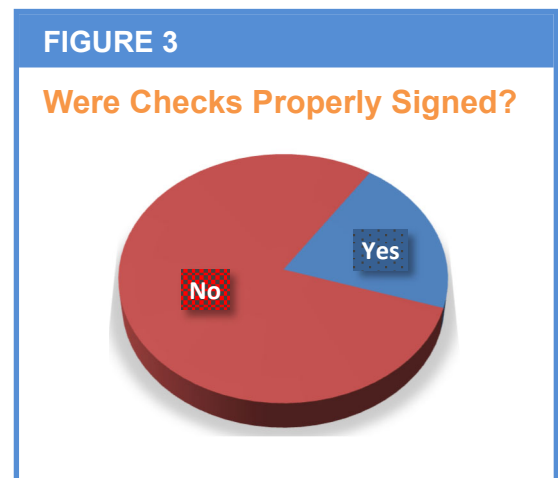
When receipts are not issued upon taking custody of funds and funds are not deposited in a timely manner, the risks increase that funds could be lost or misused. Further, because the central treasurer did not issue receipts or send copies of deposit forms to clubs after funds were in his custody, it made tracking funds for accountability difficult as there was no evidence that collections were remitted to the central treasurer with enough time to deposit collections in seven days and no support for changes made to deposit request forms after the central treasurer retrieved funds from the safe or the MS treasurer. When collected cash remains undeposited for extended periods of time, the risk of loss or misuse increases.

The Central Treasurer Did Not Properly Disburse ECA Funds

Between July 1, 2021 and June 30, 2023, 28 of the 29 ECA clubs had disbursements totaling \$284,847. We reviewed disbursements totaling \$183,400 from seven clubs. When clubs needed checks to make payments, the original receipts, invoices and signed payment request forms were submitted to the central treasurer. The central treasurer said he reviewed the supporting documents, checked for sufficient book balances, signed the payment request forms, prepared the checks and wrote the check number and date on the form. The central treasurer prepared checks either by entering the payment information in the accounting system, which generated and printed the checks, or by writing checks by hand. Checks were then manually signed by the central treasurer and ECA director. Payments were recorded automatically when checks were generated by the accounting system. Handwritten checks were entered in the system at a later date.

The \$183,400 of disbursements were supported with 151 check request forms. Of the 151 check requests, 141 canceled checks totaling \$163,621 were available for review.⁴ While all 141 checks were signed by the central treasurer, only 57 checks totaling \$33,494 were appropriately signed by both the central treasurer and the ECA director. The remaining 84 checks totaling \$130,127 were not signed by the ECA director. The central treasurer confirmed that he signed the ECA director's name to the 84 checks (Figure 3).

The Assistant Superintendent spoke with the central treasurer regarding the signature inconsistencies on the checks who explained that the 84 checks he signed in



⁴ Seven of the checks totaling \$18,917 were cleared by the bank more than 24 months before our review and were no longer readily available and three checks totaling \$862 did not yet clear the bank during our review.

the ECA director's name was because the ECA director was not available and the clubs needed the checks before the ECA director would be back in the District. However, requiring dual signatures is meant to provide a safeguard against misappropriation with both signers agreeing that the payment is legitimate. When the control is circumvented, there is an increased risk that improper payments could occur and remain undetected.

We also used club and central treasurer's records to verify club balances and determine whether clubs had sufficient funds for all check requests and checks issued. The central treasurer issued nine checks totaling \$44,548 for two clubs that did not have sufficient funds on the dates the checks were issued. For example:

- A club submitted a payment request dated December 8, 2022 for \$1,834 and a check dated December 12, 2022 was issued in that amount. However, the club's balance on December 12, 2022 was \$747, \$1,087 less than the check disbursed.
- Another club submitted 13 payment requests dated March 15, 2023 totaling \$12,015, but only had sufficient funds for 12 checks totaling \$7,094, because the club's balance was only \$8,052. However, all 13 checks were issued on April 4, 2023, exceeding the club's balance by \$3,963.

The central treasurer said that he checks club balances before issuing checks to make sure clubs have sufficient funds. However, in these two instances, he said the clubs' money may not have been deposited in the bank at the time checks were written, but the money to cover the checks was accounted for. The money was either in his possession or in the safe waiting to be deposited. Because all ECA funds were in one bank account, when clubs did not have money available to fulfill checks requested and issued, the payments were inadvertently covered using funds from other clubs without permission and risked legitimate payments from those clubs being declined by the bank.

Lastly, four checks totaling \$2,150 had invoices that did not support the amount on the check and check request. The central treasurer said that one of the four check requests with invoices that did not match was an error on his part. He missed the discrepancies between the amounts billed and the amounts requested. The other three checks were less than the total on the supporting documents either because the club advisors indicated that a lesser amount should be paid, or he checked previous payments made to the vendor and determined that a lesser amount was owed. However, these details were not documented in the supporting records.

When invoices are not compared to check requests, there is an increased risk that clubs could incur unnecessary or inappropriate charges.

What Do We Recommend?

Club advisors should:

1. Ensure that student treasurers maintain independent accounting records, issue duplicate receipts, retain records of admission tickets sold and reconcile collections using profit and loss statements.

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2. Ensure student treasurers count cash and sign deposit forms before submitting collections to central treasurer.
 3. Retain all club records for the required six-year period.

Building principals should:

4. Retain deposit logs used at their respective building safes.

District officials should:

5. Update ECA procedures to require clubs to issue receipts for all collections, maintain their own ledgers and retain copies of all forms being submitted to the central treasurer.
6. Ensure students and club advisors sign all deposit and check request forms, list the names of all patrons paying by cash and checks on deposit request forms, remit collections to the central treasurer for deposit within seven days, attach original invoices to check request forms, and prepare profit and loss statements for all fundraising events as required by ECA fund procedures.

The central treasurer should:

7. Issue prenumbered receipt to clubs when money is remitted and make deposits within seven days of receipt.
8. Only sign checks using his name and ensure the ECA director signs checks.
9. Ensure that clubs have sufficient balances to cover requested checks.
10. Ensure that check request forms are signed by all parties and are sufficiently supported prior to issuing checks.

Appendix A: Response From District Officials

MALVERNE UNION FREE SCHOOL DISTRICT

Administrative Offices
301 Wicks Lane
Malverne, New York 11565
516-887-6405
Fax: 516-596-2910



Dr. Lorna R. Lewis
Superintendent of Schools

September 30, 2024

Mr. Ira McCracken, Chief of Municipal Audits
Office of the State Comptroller
Hauppauge Regional Office
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

Dear Mr. McCracken,

This correspondence will serve as the official response from the Malverne Union Free School District regarding your draft Report of Examination during the period of July 1, 2021 – June 30, 2023. Please be assured that the Malverne Board of Education appreciates the efforts of your staff and the recommendations made to further strengthen fiscal controls. We will carefully consider the recommendations provided by your office in the audit report. The District will prepare and submit a corrective action plan within the required time period and implement corrective actions within an appropriate timeframe.

The District agrees with your recommendations to issue receipts for all collections, appropriately complete deposit and check request forms, sign checks as appropriate, maintain independent accounting records, update procedures, and retain supporting records for financial activities. The District will implement the noted recommendations and continue to provide training to club advisors, student treasurers, building principals and the central treasurer for the safeguarding of ECA funds.

The Malverne Union Free School District wishes to express its gratitude for the Comptroller's assistance and guidance during the audit process, which will benefit the District and its taxpayers. The District looks forward to future opportunities to work with the Comptroller's office.

Sincerely,

Dr. Lorna R. Lewis
Superintendent

CC: Malverne Board of Education

A Tradition of Excellence

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed the central and MS treasurers, middle school principal, former high school principal and club advisors to gain an understanding of ECA fund deposit, disbursement and recording procedures.
- We judgmentally selected a sample of eight clubs – four middle school and four high school – based on financial activity (or lack thereof) between July 1, 2021 and April 30, 2023 and club account balances as of June 30, 2022 and April 30, 2023. Selections included the two clubs with the highest ending balances (one from middle school, one from high school), two clubs with negative ending balances (both from high school), the two middle school clubs with the largest total deposits and disbursements and two clubs with balances that were unchanged for most, or all, of the audit period.
- We obtained and reviewed the central treasurer's and clubs' records for the audit period July 1, 2021 through June 30, 2023 to determine whether clubs and the central treasurer had sufficient records and complied with Regulations and District procedures.
- We reviewed 69 deposit request forms – remitted to the central treasurer during the audit period – for the clubs in our sample, totaling \$192,686 to determine whether deposit forms were properly completed, receipts were issued and used to support deposit requests, and deposits were made in a timely manner and intact.
- We reviewed 151 payment requests totaling \$183,400 for the sample of clubs to determine whether check request forms were properly completed and signed.
- We obtained and reviewed 141 canceled check images totaling \$163,621 to verify that checks were signed by both the central treasurer and ECA director.
- We used club and central treasurer records to calculate club balances and determine whether clubs had sufficient balances when checks were requested and issued.
- We obtained the transaction activity maintained by the central treasurer for the audit period to review all check payments and confirm that checks were issued in sequence.
- We reviewed the central treasurer's reports for the audit period to determine whether monthly bank reconciliations were properly performed and monthly club activities were recorded.
- We interviewed the District Treasurer and Assistant Superintendent, and observed District Treasurer's reports to the Board to confirm that the central treasurer submitted monthly ECA reports and bank reconciliations for review by the District Treasurer and that monthly reports were presented to the Board.
- We interviewed the Assistant Superintendent, central treasurer and club advisors to obtain explanations for discrepancies.

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.

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

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/files/local-government/publications/pdf/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.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.ny.gov/local-government/academy

Contact

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<https://www.osc.ny.gov/local-government>

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