

Carmel Central School District

Extra-Classroom Activities

JUNE 2018



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

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Report Highlights

Carmel Central School District

Audit Objective

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

Key Findings

- Five clubs did not maintain supporting documentation for collections totaling \$236,912 and two clubs did not maintain any records for collections totaling \$89,165.
- For two collections totaling \$5,144, sales tax totaling \$431 was not set aside for remittance to the State.
- The District's ECA policy was not comprehensive.

Key Recommendations

- Keep records and supporting documentation, and maintain ledgers, for all receipts and disbursements.
- Ensure applicable sales tax is collected and remitted to the State.
- Update and amend the ECA fund policy and establish written procedures to supplement it.

District officials agreed with our findings and indicated they plan to initiate corrective action.

Background

The Carmel Central School District (District) serves the Town of Kent and parts of the Towns of Carmel, Putnam Valley, Patterson and Southeast in Putnam County, and East Fishkill in Dutchess County. The District is governed by an elected seven-member Board of Education (Board), which 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, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Board appoints the central treasurer to oversee and account for ECA funds.

Quick Facts

2016-17 Appropriations	\$118.7 Million
Active ECA Clubs	34
2016-17 ECA Collections	\$638,627
2016-17 ECA Disbursements	\$611,531

Audit Period

July 1, 2016 – November 30, 2017

Extra-Classroom Activities (ECA)

How Should ECA Clubs Account for Collections and Disbursements?

ECA funds are those administered by and for the students' benefit. Students raise and spend these funds to promote the general welfare, education and morale of all students and finance student body extra-classroom activities. Money is usually collected by students from a number of sources (e.g., admissions, membership dues, sales, etc.) and spent as students see fit within established regulations.

The Regulations of the Commissioner of Education (Regulations)¹ of the New York State Education Department (SED) require the Board to appoint a central treasurer who is responsible for maintaining records of activity fund receipts and disbursements. Each ECA club must have a student treasurer and faculty advisor (advisor). Student treasurers, with the assistance of advisors, are responsible for maintaining independent accounting records of collections and disbursements.

The Board and District officials are responsible for adopting and implementing policies and procedures that describe the records that the central treasurers, advisors and students must maintain and the duties and procedures they must follow to safeguard ECA money. The Board may appoint a faculty auditor to review ECA financial records and determine whether adequate procedures are being used to account for ECA funds.

Students are responsible for collecting money at fundraisers and other events and remitting the collections to the student treasurer. Student treasurers must account for the collections and remit them to the central treasurer for deposit. Student treasurers are also responsible for recording the collections and disbursements in an accounting ledger, indicating the date and amount collected or paid out, and preparing profit and loss statements for fundraising activities.

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. Before remitting collections to the central treasurer, the student treasurers, with the help of advisors, are required to complete student deposit forms indicating the composition, source, date and amount. Copies of these records should be retained along with all other documentation supporting the collections.

Further, a school district is not exempt from the provisions of New York State Sales Tax Law when it becomes the vendor of services or property ordinarily sold by private persons. The SED pamphlet outlines the activities that require the

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

collection and remittance of sales tax. Advisors should know which activities their clubs undertake that are subject to sales tax and take steps to see that all sales tax information is accurately recorded and provided to the central treasurer. The central treasurer should maintain records for the amount of sales tax collected separately from other club funds and ensure the sales tax collected is remitted with a sales tax return filed with the New York State Department of Taxation and Finance.

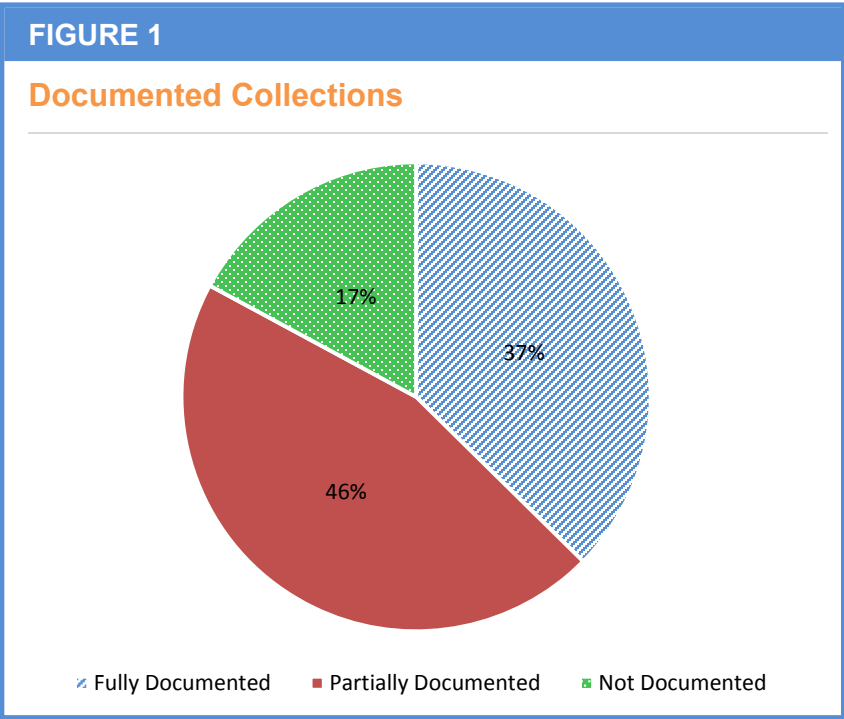
ECA Clubs Did Not Maintain Adequate Documentation for Collections

The ECA clubs had receipts totaling \$849,946 during the audit period. We reviewed 71 cash receipts totaling \$520,743 out of 253 cash receipts totaling \$647,245 collected by 10 clubs and remitted to the central treasurers² for deposit during our audit period. All of these collections were accurately accounted for in the central treasurers' ledgers and deposited intact (in the same amount and form as collected). We found that three clubs accurately accounted for collections in the student treasurers' ledgers and maintained supporting documentation for 27 transactions totaling \$194,666.

While five clubs maintained the cash ledger and deposit summary sheets, they did not maintain supporting documentation, such as duplicate press-numbered receipts or sales records, for 37 cash receipts totaling \$236,912. In addition, two clubs did not maintain any records for seven cash receipts totaling \$89,165 (Figure 1). For example, from 2016-17:

- The middle school drama club deposited \$6,600 and the high school music department deposited \$4,401 from admissions for their annual fall performances. However, the student treasurers and advisors did not keep a record of the number of tickets sold at the performances. The advisor told us that the drama performances were sold at different rates (\$5 for students and \$10 for adults). The advisor for the music performance told us admission is by suggested donations only; therefore, they were unable to provide us with the number of tickets sold.
- A high school class deposited \$25,106 from dance ticket sales and, although a list was maintained for those participants, it was used for table selection, not to reconcile to the amount collected or for sales tax purposes. We determined, based on the \$55 price of the individual ticket, that 457 tickets were sold. However, the listing showed 410 students participating. Due to the inconsistency of these records, the sales tax due could be either \$1,940 based on the total deposit or \$1,743 based on the list. However, the central treasurer was not apprised of either amount.

2 The District has appointed two central treasurers, one for the middle school and one for the high school.



Further, we determined 13 collections totaling \$22,167 required the collection and remittance for sales tax to the central treasurers. All collections were deposited with the central treasurers. However, for two collections totaling \$5,144, sales tax totaling \$431 was not set aside for remittance to the State. This was due to recording errors by the central treasurers.

When ECA clubs do not maintain adequate documentation to support collections, District officials cannot ensure students, and faculty assisting the students, are adequately accounting for all collections and remitting them to the central treasurers. Without proper accounting of sales, there is an increased risk that errors could occur and not be detected or corrected in a timely manner and the appropriate amount of sales tax will not be collected or remitted.

ECA Clubs Did Not Maintain Adequate Records

We reviewed the student treasurers’ records for the audit period for the 10 clubs. While three student treasurers maintained adequate records for both years, we found the following discrepancies with the seven other student treasurers’ records:

-
- Seven clubs participated in fundraising activities that required profit and loss statements to be prepared. The student treasurers did not prepare these statements. However, advisors for six clubs prepared them.
 - Two clubs did not have any records. The advisors told us they were not aware they needed to keep independent records and they relied on the central treasurers' ledgers to determine account balances.
 - Advisors were the primary custodians of club ledgers for five clubs. However, they did not maintain copies of supporting documents for disbursements or receipts and relied on the central treasurers to maintain records.

These discrepancies occurred because the clubs did not have adequate recordkeeping procedures and the District lacked formal written policies or procedures to provide guidance to staff. Although the District provided annual training that describes how participants in ECA clubs should maintain their records, these practices were often not followed or enforced. In addition, the Board did not appoint a faculty auditor³ to review the ECA clubs' records. Had it done so, these discrepancies may have been easily identified, investigated and resolved in a timely manner. The Superintendent stated the current Board has been going through the policy book to review and update the necessary policies.

When student treasurers do not prepare profit and loss statements, they miss the opportunity to learn the business aspect of ECA clubs. Additionally, if club ledgers are not maintained or do not agree with the central treasurers' ledgers, there is an increased risk that errors or irregularities could occur and remain undetected.

What Do We Recommend?

The Board should:

1. Update and amend its ECA fund policy to provide specific guidance for its financial management and recordkeeping.
2. Ensure District officials establish written procedures to supplement the Board policy or provide specific guidance for performing day-to-day extra-classroom activities.

³ A faculty auditor was appointed in January 2018 during our fieldwork.

Advisors should ensure:

3. The club members issue duplicate press-numbered receipts or use some other methods to adequately document the source, date, amount and purpose of the collections, such as a daily sales report.
4. The central treasurers receive supporting documentation for all ECA cash receipts that are remitted for deposit and that the student treasurers properly account for all ECA cash receipts.
5. That student treasurers reconcile final fundraising activity, compare the items purchased and sold to the cash collected and recorded and prepare profit and loss statements.
6. Student treasurers maintain ledgers throughout the year and periodically compare cash balances to the central treasurers' records.
7. Applicable sales tax is collected and remitted to the central treasurers for remittance to the New York State Department of Taxation and Finance.

Appendix A: Response From District Officials



CARMEL CENTRAL SCHOOL DISTRICT

ERIC M. STARK

Assistant Superintendent for Business

June 1, 2018

Chief Examiner
Office of the State Comptroller
Newburg Regional Office
33 Airport Center Drive Ste. 103
New Windsor, NY 12553

Dear Chief Examiner:

The district would like to thank the Comptroller's Office staff for the work that was performed on this audit and the professional manner in which it was conducted. The examiners were thorough and very helpful with their recommendations on how we can improve our oversight and internal controls.

The district is in agreement with the findings of the audit. The Business Officials met with our Building Principals and Central Treasurers on Tuesday, May 22, 2018 to discuss the findings and begin the process of developing a corrective action plan based on your recommendations.

The district will be reviewing and amending its Extra Classroom Policy and Procedures and will be implementing a plan to train both faculty advisors and student treasurers.

If you have any questions or concerns, please contact me.

Sincerely,


Eric M. Stark
Assistant Superintendent for Business

EMS:LH

Cultivating Opportunities



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 10 extra-classroom activity clubs out of 34 clubs, or 25 percent of all clubs. Our sample consisted of a judgmental sample of four clubs each from the middle school and the high school with the highest cash receipt activity and two randomly selected clubs. We reviewed the cash receipts and disbursements of the selected clubs.
- We compared the clubs' deposit slips with the central treasurers' accounting ledgers to determine whether the information agreed.
- We reviewed deposit summary statements for the previously selected 10 clubs to determine whether applicable sales tax was collected, recorded in the central treasurers' records and student treasurers' cash receipts ledgers and adequately supported.
- We reviewed 101 disbursements totaling \$452,076 for the 10 clubs selected to determine whether they were recorded in the student treasurers' ledgers and proper supporting documentation was maintained.

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.

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

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

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www.osc.state.ny.us/localgov/index.htm

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

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