

Northville Central School District

Extra-Classroom Activity Collections

MARCH 2019



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

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Report Highlights

Northville Central School District

Audit Objective

Determine whether extra-classroom activity (ECA) collections are appropriately supported, accurately recorded and deposited intact and timely.

Key Findings

- Twenty-four deposits (36 percent) totaling \$40,515 lacked supporting documentation; 16 totaling \$23,737 had no collection documentation and eight deposits totaling \$16,778 had inadequate or incomplete documentation.
- Thirty-nine deposits (58 percent) totaling \$20,135 had collection documentation that differed from the amounts deposited, resulting in \$751 more deposited than supported.
- One club used \$2,000 of collections to make a cash payment to a vendor rather than following the disbursement process.

Key Recommendations

- Ensure the central treasurer receives collection documentation supporting ECA cash receipts remitted for deposit.
- Ensure all cash receipts are remitted for deposit and that cash is not directly used to pay bills rather than following the disbursement process.

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

Background

The Northville Central School District (District) serves the Towns of Bleecker, Mayfield and Northampton and the Village of Northville in Fulton County, the Towns of Benson and Hope in Hamilton County, and the Town of Edinburg in Saratoga County.

The elected five-member Board of Education (Board) is responsible for the general management and control of District operations. The Superintendent of Schools is the chief executive officer and is responsible, along with other administrative staff, for day-to-day District management. The Business Manager oversees the business operations.

The Board appoints a central treasurer, faculty auditors and club advisors to oversee and account for ECA funds.

Quick Facts

2017-18 General Fund Appropriations	\$11 million
Active ECA Clubs	19
2016-17 ECA Receipts	\$104,653
2017-18 ECA Receipts	\$100,660
June 30, 2018 ECA Total Cash Balance	\$68,379

Audit Period

July 1, 2016 – April 30, 2018

Extra-Classroom Activity Collections

How Should a District Account for Collections?

Generally, student activity organizations raise ECA funds to promote the general welfare, education and morale of students and finance extracurricular activities. 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 the opportunity to teach students good business procedures through participation in handling funds and operating a successful business. Regulations require that the board and district officials adopt and implement policies and procedures to protect ECA fund money. SED published a pamphlet¹ for the management and accounting of ECA funds.

Regulations require the board to appoint a central treasurer responsible for overseeing collections. Each ECA must have a student treasurer and club advisor. Students are responsible for collecting money at fundraisers under the direction of their club advisors and remitting collections to the student treasurer. Students should issue duplicate press-numbered receipts or use some other method that documents the source, date, amount, form and purpose of each collection. Student treasurers must account for collections and remit them to the central treasurer as soon as possible and provide supporting documentation, such as deposit breakdowns indicating the composition, source, date and amount of each collection. Student treasurers should retain copies of these records and other documentation supporting the collections and deposit breakdowns. The central treasurer should provide a receipt to the student treasurer and deposit the collection intact and in a timely manner. Faculty auditors² should review deposit documentation to ensure it corresponds with supporting documentation.

Student treasurers, with the assistance of club advisors, are responsible for maintaining accounting records. The central treasurer should maintain separate accounting records and reconciliations from the student treasurers. These records should be periodically reconciled by an independent person and any discrepancies should be investigated.

The board and district officials should adopt and implement policies and procedures that describe the records that the central treasurer, club advisors and student treasurers should maintain and the duties and procedures to safeguard collections. The District's ECA handbook provides guidance to the central treasurer, club advisors, faculty auditors and student treasurers and states that clubs must reconcile their books with a monthly computer printout of activity, require students to sign in for events documenting the amount paid or issue tickets that are counted at the end of the event, track and document any price

1 The Safeguarding, Accounting, and Auditing of ECA Funds (Finance Pamphlet 2), available at http://www.p12.nysed.gov/mgtserv/accounting/extra_classroom_activities_fund.html

2 Two faculty auditors are appointed to oversee all of the clubs.

reductions offered for events, keep an inventory of purchased items to be sold, account for all money and only pay bills through the disbursement process by check.³

Clubs Did Not Maintain Adequate Collection Documentation

The District has 19 active ECA clubs. We reviewed the collection records and fundraising activities⁴ of 10 clubs (53 percent).⁵ We traced all 67 deposits totaling \$52,404 from July 1, 2017 through April 30, 2018 to the treasurers' records. While each activity had a properly authorized activity application, deposit breakdowns and completed profit/loss statements, 24 deposits (36 percent) totaling \$40,515 lacked adequate supporting documentation. Sixteen deposits totaling \$23,737 had no collection documentation and eight deposits totaling \$16,778 had inadequate or incomplete documentation. The central treasurer's and clubs' ledgers agreed to deposit breakdowns, accurately recording amounts deposited. However, because supporting documentation was lacking at the club level, we could not determine whether all collections were remitted, recorded and deposited intact. For example:

- The central treasurer deposited \$15,487 from the class of 2018 club's senior trip. The club used a sheet listing each senior student's name, the amount owed, a check mark showing if payment was made, and a notes column documenting how much was owed or if the student had paid-in-full. However, key information was missing such as payment type and the dates payments were made; therefore, we could not determine if all funds collected were remitted timely and deposited intact.
- The drama club did not record ticket sales for the November 2017 elementary school show. While the sales summary report prepared by the student treasurer showing \$4,102 collected agreed with the amount deposited, there was no other supporting documentation. The student treasurer also remitted \$1,126 for deposit for a three-day bake sale for which no detailed records were maintained. The club's student treasurer completed a profit/loss statement for the remittance; however, no records of sales or inventory were maintained to verify the amount.
- A District club supporting girls' athletics remitted and the central treasurer deposited \$1,217 for ticket sales for a December 2017 basketball tournament

³ Cash may not be taken to spend or pay anyone from an event's cash box.

⁴ Activities included dances, bake sales, concession stands, ticket sales (musicals, plays, basketball tournaments, etc.), yearbook and other sales (i.e., sales of flowers and signs, book fair) and donations.

⁵ The District had 19 clubs that were fiscally active in both fiscal years. Six clubs were fiscally active during only one of the fiscal years, one had no fiscal activity in either fiscal year and one was closed out due to inactivity. The District Treasurer has been monitoring the activity and stated that inactive clubs are planning to reorganize in 2018-19. See Appendix B for sampling methodology.

but did not maintain supporting documentation, such as press-numbered duplicate receipts, ticket stubs or other sales records.

Further, 39 deposits (58 percent) totaling \$20,135 for which the amount of collections per the treasurers' records differed from the amounts deposited, resulting in a total of \$751 more deposited than supported.⁶ For example, the drama club remitted \$5,954 for musical ticket sales, yet the tally sheet used to record the number of seats sold indicated \$6,005; the drama club's student treasurer and advisor could not explain the \$51 difference. The class of 2018 club remitted \$1,875 from ticket and concession sales at a March 2018 donkey basketball game. While the club issued tickets and recorded ticket and concession sales, the club used \$2,000 of the collections to make a cash payment to the vendor on the day of the event, per a verbal agreement, rather than making the payment through the disbursement process. Collection records showed \$3,088 was collected for tickets and concession sales, leaving a balance of \$1,088 after making the \$2,000 payment. However, \$1,875 was remitted and deposited, which was \$787 more than records showed after the \$2,000 cash payment. Additionally, the profit/loss statement showed \$3,737 was collected for this activity, which was \$649 more than collection records supported and \$138 less than the amount deposited, after taking the \$2,000 cash payment into account.

These discrepancies occurred because club advisors did not ensure that student treasurers adequately documented the source, date, amount, form and purpose of all collections. Further, the central treasurer did not provide receipts to student treasurers when collections were turned over for deposit and did not oversee club advisors to ensure adequate collection documentation was maintained, as required by the handbook. Although the Board appointed faculty auditors to oversee the management of ECA funds, the auditors did not identify these discrepancies because they did not compare the student treasurers' and central treasurer's collection records or determine whether adequate collection documentation was maintained and if the deposits agreed with the records. Although the District Treasurer completed and maintained bank reconciliations, comparing bank statements to transactions recorded in the accounting system, without comparison to collection records maintained by student treasurers, discrepancies would not be identified.

When activities are not properly supported by documentation, officials cannot ensure all money collected was accounted for, properly remitted and deposited intact and timely. Furthermore, managing the finances of ECA activities is supposed to be a learning experience for club members. By not properly managing ECA finances, students miss this learning opportunity.

⁶ This \$751 is made up of two clubs that deposited \$231 less than supported and five clubs that deposited \$982 more than supported.

What Do We Recommend?

The Board and District officials should:

1. Ensure collections are maintained in accordance with the District's handbook and financial procedures.

District officials, including the faculty auditors and club advisors, should:

2. Ensure that the central treasurer receives collection documentation supporting cash receipts remitted for deposit and that cash receipts are properly recorded in ledgers by comparing the student treasurers' and central treasurer's records.
3. Ensure all cash receipts are remitted for deposit and that cash received is not directly used to pay bills rather than following the disbursement process.

The central treasurer should:

4. Require that adequate collection documentation be maintained for all ECA activities and provide receipts to student treasurers when collections are turned over for deposit.
5. Ensure clubs pay bills through the disbursement process.

Club advisors should:

6. Ensure student treasurers properly account for collections and issue duplicate press-numbered receipts or maintain some other method to document the source, date, amount, payment type and purpose of each collection.

Appendix A: Response From District Officials

Northville Central School District

Third Street, P.O. Box 608
Northville, New York 12134-0608

MAIN OFFICE
(518) 863-7000

ELEMENTARY OFFICE
Ext. 4000



HIGH SCHOOL OFFICE
Ext. 5208

GUIDANCE OFFICE
Ext. 5207

March 18, 2019

Office of the State Comptroller
Division of Local Government
EB & School Accountability
1 Broad Street Plaza
Glens Falls, NY 12801-4396

NYS Education Department
Office of Audit Services, Room 524
89 Washington Avenue
Albany, NY 12234
OAS@mail.nysed.gov

RE: Northville Central School District Response & Corrective Action Plan of the Extra Classrooms Activity Collections Report of Examination, Period Covering 2017-2018

Ladies and Gentlemen,

Northville Central School is in receipt of the Draft Extra Classrooms Activity Collections Report of Examination for the period of 2017-2018. Please consider this letter as both the response to the audit and the required corrective action plan, as pursuant to General Municipal and NYS Education Law.

On behalf of the Board of Education and administration, we would first like to thank the local staff of the Comptroller's Office for their professionalism while conducting the audit. The staff was courteous and extremely helpful throughout the process.

Our responses to the recommendations as specified in the audit are as follows:

The Board and District officials should:

1) Ensure collections are maintained in accordance with the District's handbook and financial procedures.

District Response and Corrective Action Plan:

It is the district's practice to annually update the handbook and will continue to update and use best practices.

District officials, including the faculty auditors and club advisors, should:

2) Ensure that the central treasurer receives collection documentation supporting cash receipts remitted for deposit and that cash receipts are properly recorded in ledgers by comparing the student treasurers' and central treasurer's records.

District Response and Corrective Action Plan:

The district purchased [REDACTED] software by [REDACTED] to help with the tracking and documentation. There has been further training provided to the Central Treasurer to insure accuracy and proper documentation. When a deposit is prepared, the advisor/student treasurer inputs the deposit in [REDACTED] and gives the Central Treasurer all the funds and a deposit requisition slip. The Central Treasurer then re-counts to verify the amount on the deposit slip and the funds are correct. Once the deposit has been verified, the treasurer prints out a three part deposit ticket. One copy is given to the treasurer, one copy goes to the Claims Auditor with the deposit, and the Central Treasurer keeps the last copy which is stapled to the deposit slip the treasurer prepared. When the bank deposit slip is returned, the Central Treasurer staples the copy from [REDACTED] to the bank deposit slip and it is filed.

3) Ensure all cash receipts are remitted for deposit and that cash received is not directly used to pay bills rather than following the disbursement process.

District Response and Corrective Action Plan:

The fact that all revenues should be recorded as such and all expenses must be recorded through the disbursement process will be a point of emphasis when performing annual training for extra classroom advisors and Treasurers.

The Central Treasurer should:

4) Require that adequate collection documentation be maintained for all ECA activities and provide receipts to student treasurers when collections are turned over for deposit.

District Response and Corrective Action Plan:

The district purchased [REDACTED] software by [REDACTED] to help with the tracking and documentation. There has been further training provided to the Central Treasurer to insure accuracy and proper documentation. When a deposit is prepared, the advisor/student treasurer inputs the deposit in [REDACTED] and gives the Central Treasurer all the funds and a deposit requisition slip. The Central Treasurer then re-counts to verify the amount on the deposit slip and the funds are correct. Once the deposit has been verified, the treasurer prints out a three part deposit ticket. One copy is given to the treasurer, one copy goes to the Claims Auditor with the deposit, and the Central Treasurer keeps the last copy which is stapled to the deposit slip the treasurer prepared. When the bank deposit slip is returned, the Central Treasurer staples the copy from [REDACTED] to the bank deposit slip and it is filed.

In addition, the district has created a tracking form for all clubs that tracks what the item(s) being sold are, the unit cost per item, and the total cost of all items sold. Also, the district is requiring any ECA advisors to purchase duplicate tickets for anything that needs admission. These tickets, along with the aforementioned tracking sheet, will assist with tracking.

5) Ensure clubs pay bills through the disbursement process.

District Response and Corrective Action Plan:

The fact that all revenues should be recorded as such and all expenses must be recorded through the disbursement process will be a point of emphasis when performing annual training for extra classroom advisors and Treasurers.

Club advisors should:

6) Ensure student treasurers properly account for collections and issue duplicate pre-numbered receipts or maintain some other method to document the source, date, amount, payment type and purpose of each collection.

District Response and Corrective Action Plan:

The district purchased [REDACTED] by [REDACTED] to help with the tracking and documentation. There has been further training provided to the Central Treasurer to insure accuracy and proper documentation. When a deposit is prepared, the advisor/student treasurer inputs the deposit in [REDACTED] and gives the Central Treasurer all the funds and a deposit requisition slip. The Central Treasurer then re-counts to verify the amount on the deposit slip and the funds are correct. Once the deposit has been verified, the treasurer prints out a three part deposit ticket. One copy is given to the treasurer, one copy goes to the Claims Auditor with the deposit, and the Central Treasurer keeps the last copy which is stapled to the deposit slip the treasurer prepared. When the bank deposit slip is returned, the Central Treasurer staples the copy from [REDACTED] to the bank deposit slip and it is filed.

The district has created a tracking form for all clubs that tracks what the item(s) being sold are, the unit cost per item, and the total cost of all items sold. Also, the district is requiring any ECA advisors to purchase duplicate tickets for anything that needs admission. These tickets, along with the aforementioned tracking sheet, will assist with tracking.

In closing, I would like to once again thank the field staff of the Comptroller's Office for their assistance throughout the review process. Should additional information be required regarding our response, please advise.

Sincerely,

Dr. Leslie Ford, Superintendent
Northville Central School District

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 employees and reviewed policies and financial records and reports to gain an understanding of the internal controls over ECA collections.
- We judgmentally selected 10 of the 19 fiscally active clubs and reviewed collection documentation for 67 deposits totaling \$52,404 to determine whether student treasurers maintained adequate club records and turned collections over promptly, the central treasurer deposited collections intact and timely and club advisors and the central treasurer monitored collection activities. We selected all activities for nine of the clubs from July 1, 2017 through April 30, 2018 and selected two months of school store operations, or 27 percent of the cash receipts reported as of April 30, 2018.
- We followed up on inactive clubs throughout our audit period to determine how officials and employees monitored activity and closed out clubs.

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/pubs/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/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

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