

Poughkeepsie City School District

Extra-Classroom Activities and Information Technology Assets

SEPTEMBER 2019



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

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Report Highlights

Poughkeepsie City School District

Audit Objective

Determine whether the Board provided adequate oversight of extra-classroom activity (ECA) finances and properly safeguarded and secured the District's information technology (IT) assets.

Key Findings

- Student treasurers and faculty advisors did not maintain adequate supporting documentation for 25 deposits totaling \$37,256.
- The central treasurer did not prepare timely reports for the Board or the auditor.
- IT assets valued at \$11,397 were not included on the inventory list and could not be located.

Key Recommendations

- Maintain documentation for all ECA receipts.
- Ensure that the central treasurer reports to the Board and the auditor in a timely manner.
- Develop written policy and procedures for controls over equipment donated and purchased.

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

Background

The Poughkeepsie City School District (District) serves the City of Poughkeepsie in Dutchess County.

The District is governed by an elected five-member Board of Education (Board) responsible for financial and educational affairs, including ECAs and equipment inventory.

The Board appointed a faculty advisor for each ECA club and a central treasurer to account for the receipts and expenditures of each individual club activity and maintain a combined record of all receipts and disbursements for all ECAs.

Quick Facts

2017-18 General Fund Expenditures	\$96.7 million
2016-17 General Fund Expenditures	\$86.8 million
Active ECA Clubs	25
ECA Receipts for 2017 and 2018	\$120,623
ECA Disbursements for 2017 and 2018	\$129,949

Audit Period

July 1, 2016 – July 18, 2018. We extended our audit period back to January 1, 2007 to review ECA and equipment donations.

Extra-Classroom Activities and IT Assets

How Should the Board Oversee ECA Finances?

ECA funds are 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 normal and appropriate 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 require the Board-appointed central treasurer to maintain records of all ECA receipts and disbursements. These Regulations were formulated to safeguard ECA funds and provide school districts with the opportunity to teach students good business practices through participation in handling such funds and operating a successful business.

To provide additional oversight of ECA operations, a board-appointed ECA auditor, responsible for reviewing ECA financial records, should determine whether adequate procedures are being followed to properly account for ECA funds. Each ECA club should have a student treasurer and faculty advisor. Student treasurers, with the assistance of a faculty advisor, are responsible for maintaining independent accounting records of all club collections and disbursements.

Student treasurers should issue duplicate press-numbered receipts for money collected 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 faculty advisors, are required to complete student deposit forms indicating the composition, source, date and amount received. Copies of these records should be retained along with all other documentation supporting the collections.

In addition, the student treasurer should prepare profit and loss statements for all fundraising activities to analyze the profitability of those activities. Upon receiving money from a fundraiser, the student treasurer should count the amount collected and reconcile that amount with the profit and loss statements.

ECA Records Did Not Always Include Supporting Documentation for Collections

We found that the student treasurer and the faculty advisor did not prepare a profit or loss statement after each fundraising event or maintain supporting documentation for the amounts collected.

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 www.p12.nysed.gov/mgtserv/accounting/extra_classroom_activities_fund.html

We reviewed records for 41 deposits totaling \$44,335 from 18 ECA clubs for three months during our audit period. We found that 25 of these deposits (61 percent) totaling \$37,256 did not have supporting documentation detailing the payees and dates of collection.

While District policies require the student treasurers to be directly involved with ECA funds and the activities indicated by signatures of both a faculty advisor and student treasurer on ECA records, some faculty advisors prepared the required documentation, such as deposit records and accounting ledgers, instead of student treasurers. We found that records for 15 deposits (37 percent) totaling \$24,881 were signed only by a faculty advisor.

Brother to Brother (B2B) – The District’s B2B club was established in 2006 to provide comprehensive academic, personal and social, college and career services to male students from grades six through 12. In addition, the former Board President led a student group known as the society at war against illegal guns and violence (SWAG) as part of the B2B club. A SWAG fundraiser and dinner was held in April 2017 at a local hotel.

The central treasurer, in charge of issuing payment for all club activities, did not issue a disbursement to the hotel for this event. The central treasurer told us that she contacted the hotel to obtain the invoice and a hotel employee told her that it was already paid for, so she requested a copy of the invoice. The invoice copy showed that 125 adult guests and no children attended this event and payment was made in cash of \$4,507 by the former Board President. Further, by being involved in this activity, the former Board President failed to adhere to District policy because no students were present at the event, based on the hotel invoice.

We reviewed the central treasurer’s collections and payment records for this event and found that 13 checks totaling \$1,795 received for admission tickets were the only deposits and no cash money. We also found that various other donations were received but due to lack of supporting documentation, we were unable to determine whether these donations were from this event or other club activities. In addition, we were unable to determine the total amount raised from this event.

Ticket prices for this event were \$65 each or \$100 for a couple. In addition, individuals and businesses made additional donations. Without proper controls or records of collections we were unable to determine the total collections that should have been deposited. The minimum collections assuming all tickets were sold to couples at \$50 (\$100 per couple) would be \$6,250, significantly more than the \$1,795 received for tickets.

Because of the lack of oversight and accountability over the financial activities of the B2B club, the club could not raise sufficient funds to pay invoices for apparel, pizza catering and design services totaling \$4,386. As a result, the general

fund transferred this amount to the central treasurer to pay the club's 2016-17 expenditures. Because the student treasurer, with guidance from the advisor, did not prepare a statement of profit and loss for B2B activities the advisor could not provide us with information to determine why the club could not pay these expenditures.

When ECA clubs do not maintain adequate documentation to support collections, District officials cannot be sure that student treasurers and faculty advisors, are adequately accounting for all collections and remitting them to the central treasurer. In addition, when student treasurers do not prepare profit and loss statements, they miss the opportunity to learn the business aspect of ECA clubs. Further, if club records are not properly maintained, there is an increased risk that errors and irregularities could occur and remain undetected.

How Should the Board Ensure ECA Reports Are Prepared and Audits Are Conducted in a Timely Manner?

District policy requires the central treasurer to prepare reports detailing all ECA receipts and expenditures for the Board at least quarterly. The policy also states that once each month, the central treasurer shall receive and verify bank statements and prepare reports for presentation to the Board-appointed ECA auditor at the end of the third full business week of each month.

These reports should show beginning balances, receipts for the month, disbursements for the month, the ending balances for each activity, total balances for all bank accounts and a copy of the bank reconciliation. The auditor is responsible for reviewing the extra-classroom financial records to determine whether correct procedures are being used to account for ECA funds and certify the accuracy of the entries posted to the records and the account balances.

The Central Treasurer Did Not Present Reports in a Timely Manner

We reviewed the Board minutes for our audit period and found that the central treasurer's ECA reports for all 12 months of 2016-17 were presented to the board for approval in April 18, 2018 after the current treasurer took office. For 2017-18, four reports were presented to the Board in a timely manner but eight reports (July 2017 through February 2018) were presented to the Board on June 6, 2018. We noticed an improvement in the timeliness of reports after March 2018.

However, when the central treasurer does not present reports to the Board for approval, it is prevented from appropriately overseeing the ECAs and unaware of the amount of funds collected and disbursed. In addition, the Board did not take any action for not receiving reports from the former central treasurer until the current treasurer issued the corrected reports, further evidence of the lack of Board oversight of all ECA financial activities.

ECA Records Were Not Audited in a Timely Manner and Were Inaccurate

We found that the central treasurer's records were not audited within the timeframes required by the policy. During 2016-17, the former central treasurer did not prepare reports in a timely manner and did not provide them to the auditor each month as required. In addition, the reports prepared were inaccurate. The reports for 2016-17 were audited from 59 to 362 days late.

The current central treasurer had to revise and reissue all the quarterly reports from 2015-16 through 2016-17. For instance the former central treasurer prepared the 2016-17 reports in August 7, 2017, which was audited in August 28, 2017. However, all these reports were inaccurate and needed to be corrected, because there were instances that the former central treasurer did not record sales tax collected for some of the events and some recorded entries were missing, which made the bank reconciliation inaccurate.

The current central treasurer corrected and reissued these reports in January 2018, the auditor reviewed them in February 2018. For 2017-18, reports were prepared between six and 218 days late. The current central treasurer has been preparing reports on time since March 2018. The Board-appointed claims auditor, who serves as the ECA auditor, told us that she was not receiving the reports in a timely manner and those received were inaccurate.

When ECA reports are not accurate and timely, there is a risk that errors and/or irregularities could occur and not be detected and corrected in a timely manner. In addition, the Board did not receive the reports as previously discussed and failed to request them until the current Treasurer provided copies more than a year later.

How Should the Board Safeguard IT Assets?

District officials should maintain detailed, up-to-date inventory records for all computer hardware, software and data. The information maintained for each piece of computer equipment should include a description of the item (make, model and serial number), the name of the employee to whom the equipment is assigned, if applicable, the physical location of the asset and relevant purchase or lease information including the acquisition date. Software inventory records should include a description of the item including the version and serial number, location of the computer(s) on which the software is installed and any pertinent licensing information.²

² Refer to our Local Government Management Guide publication, *Information Technology Governance*, available at www.osc.state.ny.us/localgov/pubs/lgmg/itgovernance.pdf

District teachers may solicit donated items for a project through a website such as DonorsChoose.org.³ However, the superintendent or board should be made aware of the IT donations, act as the steward of the goods, and accept all donated items received.

Officials Did Not Maintain an Up-To-Date Inventory of IT Assets

During our audit period, District officials purchased various IT assets mainly from four vendors on 513 invoices totaling \$602,133. We reviewed 12 IT assets valued at \$6,184 that were shown on the inventory list and were unable to locate 10 of them valued at \$5,854.

We also reviewed invoices for 16 IT assets purchased during our audit period totaling \$9,345 to determine whether these items were in the District's possession or in existence. These assets included four projectors, two small tablets, two smart watches, one compact thermal imager, one e-reader, three notebook computers, one portable hard drive, one DJ controller and one active loudspeaker. We were unable to trace 10 items totaling \$5,543 because the invoices did not show the serial numbers and we were not provided with the packaging slip describing the items purchased. District officials were unable to locate the missing items for us to verify that purchased items were on hand.

The Director of Technology (Director) told us that the two small tablets were for students with special needs and he cannot access these assets. However, he was unable to provide any documentation indicating that these items were given to special needs students. Although the Director provided us with the equipment matching the description for the remaining eight items selected, we were unable to determine whether they were in fact the same items purchased because the serial numbers were not shown on the invoices. Only one vendor who was paid a total of \$329,666, of the four vendors used by the District, included serial numbers on the invoices.

The Director did not provide us with a clear explanation of how IT assets are tracked. He provided us with an inventory list, which did not show the serial number and description of the items purchased or donated. As a result, District officials are unable to properly protect computer resources, including data, if they do not know which resources they have and where those resources reside.

The Director told us that he uses a web application to track notebook computers. However, the list was not updated. He also told us that the District is in the process of using a new software to better track items, so he did not make an effort to include the latest purchases in the inventory list.

³ This organization helps teachers with classrooms in need create project requests, which are funded by public donations through the website. When a project is fully funded, the organization purchases all the requested items and ships them directly to the school. <https://www.donorschoose.org/>

The failure to maintain detailed, up-to-date hardware, software, and information inventory records exposes these valuable assets to an increased risk of loss, theft, or misuse. Further, by not keeping adequate record for items purchased, officials can be certain that all equipment purchased or donated are properly accounted for.

Donated Items Are Not Board-Approved

Teachers solicited laptop computer donations for their classrooms through DonorsChoose.org by creating 51 campaigns to solicit goods totaling \$41,905 during our audit period.⁴ However, the Board did not adopt a policy for the donated items and none of the items received were approved by the Board. Further, some of items donated were laptop computers that were connected to the District network.

Without proper identification of all devices on a network, unauthorized devices and softwares can be easily introduced, putting District data at risk. A single compromised device can become a launching point for further network attacks, quickly turning one compromised tablet into many. Additionally, because the Board and District officials did not provide oversight over these donations, there is a risk that employees may solicit donated items from the public on the behalf of the District, and use the items for personal purposes without the Board's knowledge.

What Do We Recommend?

The Board should ensure that:

1. Student treasurers and faculty advisors properly account for all ECA club collections and issue press-numbered receipts or maintain some other record to provide adequate supporting documentation for the collections.
2. All receipts and disbursements are handled by the central treasurer and that there is a profit and loss statement for all activities.
3. The central treasurer accurately prepares reports within the timeframes required by the policy and provides them to the auditor for review.
4. The claims auditor audits all ECA claims and that all ECA activities are reviewed by the District's independent external auditor.
5. A written policy and procedures for IT equipment purchases are developed to safeguard against misuse or theft.

⁴ Donations for 88 campaigns totaling \$70,557 were solicited from 2007 through 2018.

-
6. The Director maintains an up-to-date record of all IT equipment purchased or donated.
 7. All IT equipment donations are approved and that a written policy is developed for all such donations.

Appendix A: Response From District Officials



POUGHKEEPSIE CITY SCHOOL DISTRICT

18 South Perry St., Poughkeepsie, New York 12601 | Telephone 845-489-1254

Dr. Felicia Watson
Board President

Ms. Debra Long
Board Vice-President

Dr. Andrew Rieser
Board Member

Mrs. Doreen Clifford
Board Member

Mrs. Michelle Martinez-Leffert
Board Member

Dr. Eric Rosser
Superintendent of Schools

September 17, 2019

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

Re: Report 2019M-15

Office of the State Comptroller:

The Poughkeepsie City School District Board of Education has reviewed the Draft report provided and agrees with the findings noted. The District will develop a corrective action plan based upon the following recommendations provided in your report 2019M-15. The Board of Education thanks you for your time and efforts in helping the district.

Recommendations:

1. Student treasurers and faculty advisors properly account for all ECA (Extra Curricular Activities) club collections an issue press-numbered receipts or maintain some other record to provide adequate supporting documentation for the collections.
2. All receipts and disbursements are handled by the central treasurer and that there is a profit and loss statement for all activities.
3. The central treasurer accurately prepares reports within the timeframes required by the policy and provides them to the auditor for review.
4. The claims auditor audits all ECA claims and that all ECA activities are reviewed by the District's independent external auditor.
5. A written policy and procedures for IT equipment purchases are developed to safeguard against misuse or theft.
6. The Director maintains an up-to-date record of all IT equipment purchased or donated.
7. All IT equipment donations are approved and that a written policy is developed for all such donations.

Sincerely,


Dr. Eric Rosser
Superintendent of Schools
Poughkeepsie City 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 related to ECA operations to gain an understanding of ECA operations and procedures and procedures for IT assets.
- We reviewed all deposits from 18 ECA clubs for three randomly selected months during our audit period to determine whether the clubs issued and maintained receipts or some other form of documentation for collections, accurately accounted for them in a ledger and remitted them to the central treasurer.
- We reviewed all the collections and disbursement for all clubs for three randomly selected months during the audit period.
- We reviewed the central treasurer's report and the Board approval and the faculty auditor reviews during our audit period to determine whether the reports and audit were performed in a timely manner.
- We reviewed a judgmental sample of IT asset purchases made during the audit period to determine whether the items were included on the inventory list and located at the District. We selected purchases that included serial numbers on the related invoices.
- We visited the DonorsChoose website and generated a report of all donations made on the District's behalf from 2006-07 through 2017-18.

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 relevant population size 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 2116-1(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. The CAP should be posted on the District's website for public review.

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

Contact

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