

Sherrill City School District

Future Farmers of America Extra- Classroom Activity Fund

MARCH 2020



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

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Report Highlights

Sherrill City School District

Audit Objective

Determine whether the District established adequate internal controls to ensure Future Farmers of America (FFA) extra-classroom activity (ECA) cash receipts and disbursements were properly accounted for.

Key Findings

District officials need to improve internal controls over FFA cash receipts and disbursements. We found:

- District officials did not perform an annual audit of FFA records during our audit period.
- Collections did not include adequate supporting documentation for 41 deposits totaling \$264,624.
- There was no supporting documentation for 15 out of 78 check disbursements tested totaling \$5,871.
- FFA advisors used debit cards to make purchases totaling \$74,893 without the required prior approvals.

Key Recommendations

Board and District officials should:

- Ensure an annual audit of the FFA records is completed as required by regulations.
- Ensure cash receipts and disbursements are supported by adequate documentation.
- Discontinue the use of debit cards.

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

Background

The Sherrill City School District (District) serves the Cities of Rome and Sherrill and the Towns of Kirkland, Verona, Vernon, Vienna and Westmoreland in Oneida County and the City of Oneida in Madison County.

The District is governed by a nine-member Board of Education (Board) that is responsible for the general management and control of the educational and financial affairs. The Superintendent of Schools (Superintendent) is the chief executive officer and is responsible, along with other administrative staff, for day-to-day management.

The Board appointed a central treasurer who is responsible for accounting for all ECA funds. The Board also appointed a Business Manager, an advisor and assistant advisor to oversee FFA activities.

District officials contacted our office requesting an audit to evaluate the District's internal controls over FFA operations.

Quick Facts

Students	83
2017-18 Collections	\$166,600
2017-18 Disbursements	\$189,100

Audit Period

January 1, 2016 - December 31, 2018

FFA Extra-Classroom Activity Fund

ECA funds are administered by and for the benefit of the students. Students raise and spend these funds to promote the general welfare, education and morale of all students and to finance the normal and appropriate extracurricular activities of the student body. The New York State Education Department (SED) published guidance on the management and accounting of ECA funds.¹

FFA membership consists of active high school students enrolled in an agriculture class or in a course of study for agriculture. As part of the FFA program, students produce and sell maple syrup, along with other maple products, to raise funds. Additionally, the FFA hosts an annual maple conference² and conducts fundraising activities which include a chicken barbeque, a citrus/maple sale and a maple weekend.

During our audit period, the FFA experienced significant turnover; it had three business managers (manager), two advisors and one assistant advisor. The current advisor was appointed on April 6, 2018 and the current manager was appointed on May 1, 2018.

Annual FFA revenues totaled approximately \$166,600 for the 2017-18 school year. Given the significant amount of money generated by the FFA, District officials contacted our office requesting an audit to evaluate the District's internal controls over FFA operations.

How Should the District Safeguard ECA Funds?

The Regulations of the Commissioner of Education of the New York State Education Department (Regulations)³ 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. The Regulations require that the Board adopt and District officials implement policies and procedures to protect ECA fund money. An annual audit should be performed on all ECA fund accounts by an independent (external) auditor. Having a good system of internal controls helps minimize the risk that errors or irregularities could occur and remain undetected and uncorrected.

Board Policies Were Not Followed

The Board adopted policies and regulations that describe the records ECAs must maintain and the duties and procedures that must be followed to safeguard

¹ *The Safeguarding, Accounting and Auditing of Extra-Classroom Activity Funds* pamphlet is available at: http://www.p12.nysed.gov/mgtserv/accounting/extra_classroom_activities_fund.html.

² 2018 was the last year the FFA hosted this conference.

³ 8 CRR-NY 172

money. However, it did not ensure District officials implemented and enforced the policies and regulations. For example:

- Annual Audit: The Board did not ensure an annual independent audit of the FFA records was performed during our audit period, as required by SED Regulations and Board policy. While the District has all other ECA funds audited by its external auditor, the Assistant Superintendent for Financial Operations and Management (Assistant Superintendent) stated that the District was advised by the external auditors that they were unable to audit the FFA due to its status as a 501(c)(3).⁴ However, this designation does not exempt the FFA from the annual audit requirement.
- Student Ledgers: The FFA student treasurers did not maintain an independent accounting ledger indicating the date and amount of funds collected or paid out, as required by the regulations. The current manager (appointed in May 2018) created a spreadsheet of FFA collections and disbursements for calendar year 2018 to compare to the central treasurer's records. However, student treasurers were not involved in maintaining and reconciling these records.
- Student Minutes: District regulation requires ECAs to hold monthly meetings while school is in session and to maintain minutes to support any decisions or recommendations. During our audit period, the FFA maintained minutes for the 2015-16 and 2017-18 school year. However, the FFA was only able to provide minutes for two months (October and November) for the 2016-17 school year.
- Inventory: District regulation requires ECAs to account for inventory held for resale and reconcile the records to the amount of inventory on hand. During our audit period, the FFA did not maintain inventory records for bottled maple syrup and other products held for sale. In 2018, the FFA produced approximately \$57,000 in maple syrup. However, the FFA did not maintain inventory records and was unable to periodically reconcile records to the amounts on hand to ensure inventory was properly accounted for. Following our discussions with District officials, the FFA performed a physical inventory in March 2019 of bottled maple syrup to establish an initial inventory record.

Because officials did not provide proper oversight of FFA funds, District employees and students did not maintain funds in accordance with Board policies. This increases the risk that errors or irregularities could occur and remain undetected and uncorrected.

⁴ Organizations with 501(c)(3) status are organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, educational or other specified purposes. These organizations also meet certain other requirements and are tax exempt under Internal Revenue Code Section 501(c)(3).

How Should the District Account for FFA Collections?

Students are responsible for collecting money for ECA fundraisers and remitting collections to the student treasurer. The student treasurer is responsible for recording and remitting the collections to the central treasurer for deposit. When collecting funds, students should issue duplicate press-numbered receipts or use some other method to accurately document the source, date, amount, form (cash, checks and credit card) and purpose of the amounts collected, such as a daily sales report. Faculty advisors are responsible for ensuring student treasurers maintain supporting evidence for collections.

When students remit collections to the central treasurer for deposit, they should provide duplicate receipts or some other form of adequate documentation to support the collections. Good business practices require student treasurers and faculty advisors to remit collections to the central treasurer intact (in the same amount and form as received) and the central treasurer to deposit collections as soon as possible to prevent the loss or misuse of funds.

Collections Were Not Always Supported or Deposited Timely and Intact

The FFA deposited a total of \$505,500 during our audit period. We reviewed 50 deposits totaling \$361,939 recorded in the central treasurer's general ledger to determine whether funds were supported by adequate documentation and were deposited timely and intact. We found 41 deposits totaling \$264,624 (82 percent) had partial or no support attached to the statement of deposit (23 had no support and 18 had partial support). Although the student treasurer provided the central treasurer with a statement of deposit listing collections by fundraising event or activity (e.g., maple sales, citrus sales, dues, donations), they did not provide detailed collection documentation such as duplicate pressed-numbered receipts, milk vending machine sales counts or daily sales reports to support the deposit.

For example, the FFA utilizes a web-based point of sale (POS) system to record sales for major fundraising events, such as the annual citrus and maple sales. However, officials did not generate sales reports from the system and compare the reports to statements of deposits to ensure all funds were properly accounted for and deposited. From 2016 through 2018, the FFA deposited \$33,362 from sales collected during the annual three-day citrus and maple sale. We reviewed and compared the sales⁵ recorded during these events in the POS system to deposits and found the amounts recorded as collected differed from the amounts deposited at the end of each event. Because supporting records were not

⁵ Our review focused on the cash and checks recorded and deposited. Credit card sales are directly deposited into the school store bank account. See the next section of the report for additional information on credit card transactions.

sufficient, we were unable to determine whether all funds received during the event were deposited.

FFA advisors told us that students took customer citrus orders prior to the annual events with payment due upon pick-up or delivery. For customers who pre-paid for their order, the money was held and included in the deposit but was not recorded in the POS system. Our review of deposit compositions indicated numerous checks dated prior to the three-day event. Because check numbers and payee information were not recorded in the POS system, we were unable to determine which checks were received during the events and recorded in the system and which checks were collected during pre-sales and included in the deposit, but not recorded into the system. In addition, we were unable to quantify the amount of cash collected during pre-sales and included in the deposit. As a result, recorded collections could not be reconciled with deposits.

Additionally, during 2016 and 2017, the Vernon Verona Sherrill (VVS) FFA Alumni Booster Club (Booster Club)⁶ hosted a fundraiser at a local health fair to support the FFA and sold FFA maple syrup and products. The Booster Club recorded sales in the POS system totaling \$965 in 2016 and \$999 in 2017.⁷ FFA records show a deposit totaling \$1,116 (\$151 more than recorded as collected) in 2016 indicating “Maple Sales Booster Club.” However, for 2017, records did not show money was deposited from this event. It is possible these funds were included in a deposit that was not identified as Booster Club sales. However, we were unable to determine whether the money was deposited based upon the records maintained.

These discrepancies occurred because FFA advisors did not ensure that collection information was adequately documented and recorded. Additionally, student treasurers and advisors did not compare the amount recorded as collected to the amount deposited. When cash receipts are not properly recorded and supported, officials cannot ensure all money collected was properly accounted for, remitted and deposited.

In addition, FFA funds were not always submitted to the central treasurer for deposit timely and intact. For example, a \$3,222 deposit remitted to the central treasurer on April 20, 2016 was comprised of eight checks that were dated between 135 and 157 days prior to the deposit. A check totaling \$1,187 was returned by the bank as non-sufficient funds (NSF); this outstanding amount was never collected. Another deposit remitted to the central treasurer on December 18, 2017 for \$7,300 included six checks totaling \$2,162 that were dated 31 to 49 days prior to the deposit.

⁶ The Booster Club membership is comprised of FFA alumni and supporters, whose objectives include supporting and promoting FFA activities and agricultural education on local, State and national levels.

⁷ This amount reflects checks and cash only and excluded credit card sales.

Because the FFA did not maintain adequate supporting documentation, we were unable to determine whether all collections were deposited intact. However, we determined that cash collected from the FFA's milk vending machine, located in the high school cafeteria, was not deposited intact. The FFA assistant advisor told us the milk vending machine is programmed to only accept one dollar bills and coins. However, deposits submitted to the central treasurer for vending machine sales contained currency in the form of five, 10 and 20 dollar bills. The FFA assistant advisor told us that, on occasion when funds are removed from the machine, they are not all submitted to the central treasurer for deposit. Rather, funds are maintained in a safe to make change for future FFA fundraising activities. Because supporting documentation (such as vending machine sales counts) was not maintained and remitted with the deposits, there was no accountability to ensure all vending machine sales were deposited.

When money is not deposited timely and intact, there is an increased risk that collections could be lost, stolen or misappropriated without detection.

Credit Card Sales Were Not Always Remitted to the FFA

The FFA utilizes the POS system in conjunction with the school store. Credit card sales, minus a transaction fee, are deposited into the school store bank account. The school store co-advisor periodically reviews the credit card sales reports and completes a payment order form to pay the FFA for its portion of credit card sales.

We reviewed all credit card sales totaling \$30,200 and found eight instances totaling \$6,516⁸ where money from credit card sales was not transferred from the school store to the FFA. Approximately \$5,500 of this amount was from credit card payments received during the two maple weekends in 2016. These underpayments were not detected because the FFA advisors and manager did not review the POS system sales reports to ensure all FFA credit card sales were properly remitted.

Furthermore, the FFA has the ability to establish a separate account in the POS system, at no additional cost,⁹ so that credit card sales would be deposited directly into the FFA bank account. If the FFA had a separate POS account, it would reduce the need to transfer credit card sales from the school store to the FFA.

How Should the District Account for FFA Disbursements?

The central treasurer should disburse funds for ECA clubs only upon receiving a payment order form signed by the student treasurer and faculty advisor. When

⁸ This amount represents gross sales without credit card transaction fees deducted. The credit card fee was typically 2.75 percent of the sale.

⁹ No set-up or monthly fee.

making disbursements, student treasurers and advisors should complete and sign a payment order form listing the vendor's name, payment amount, ECA club name and reason for disbursement. The student treasurers and advisors must then submit the disbursement form, along with supporting itemized receipts or invoices, to the central treasurer for payment.

Disbursement Controls Need Improvement

The Board's written ECA policy provides guidance on the cash disbursement process. The District uses payment order forms that require the student treasurer's, faculty advisor's and central treasurer's signatures designating approval of each check disbursement. In addition to these approvals, we observed that the majority of payment order forms authorizing the disbursements contained the high school principal's signature.

Although the District has established these controls over the disbursement process, they were not always effective because some payments were made without adequate supporting documentation. Also, the FFA advisors were allowed to use debit cards to make purchases without obtaining prior approvals.

Lack of Supporting Documentation – We reviewed 78 check disbursements totaling \$129,924 to determine whether they were properly authorized, supported and for appropriate purposes. We found 15 disbursements totaling \$5,871 did not include adequate supporting documentation. For example:

- The former FFA advisor was reimbursed \$996 for charges on his personal credit card. The District paid the amount off the credit card statement which indicated the date, vendor name and amount charged. However, there were no itemized receipts or invoices detailing that the expenditures were for legitimate FFA purposes.
- District officials were unable to provide payment order forms and supporting documentation for two payments totaling \$424. However, based on the description provided in the financial records and the memo on the canceled check image, these payments were to a local restaurant for the purchase of pizza and to the current FFA advisor for reimbursement of FFA-related expenses.
- One disbursement in June 2016, totaling \$325, was made to the former advisor's relative for national convention chaperone expenses. The payment order form did not include an itemized listing or receipts of expenses for which he was reimbursed.
- A vendor who sold sap to the FFA was paid a premium rate for sap totaling \$2,975 over two years (\$1,554 in 2016 and \$1,421 in 2017). The current FFA advisor explained that vendors providing sap with a higher sugar content would be paid a higher (premium) rate. However, there were no written agreements or supporting documentation outlining the arrangement made

with the sap vendors for the purchase of regular or premium sap. Also, we found that another vendor provided sap with a higher sugar content in 2017, but did not receive the same premium rate. FFA officials were unable to explain why the premium payment was not consistently applied to all vendors.

When officials disburse funds without adequate supporting documentation, they cannot ensure the disbursements are made for appropriate purposes or amounts.

Debit Cards – The former and current FFA advisor and assistant FFA advisor utilized a debit card to make purchases totaling \$74,893 during our audit period. Unlike using a credit card, where a statement is received and the purchase can be approved by the student treasurer, advisor and central treasurer prior to payment, a debit card allows a payment to be directly withdrawn from the FFA's bank account at the time of purchase without prior approval. This increases the risk that funds could be misappropriated without detection. We reviewed 32 debit card transactions totaling \$28,430. Except for minor discrepancies, which we discussed with officials, all transactions were supported by adequate documentation and were for appropriate purposes.

Payments to Booster Club – The FFA disbursed approximately \$52,300 to the Booster Club for various activities including catering winter weekend, maple conferences and coordinating the FFA's participation in the national FFA convention.

The former FFA advisor's spouse was the president of the FFA Booster Club during our audit period. While the former FFA advisor did not have a prohibited interest in the contracts with the Booster Club, he should have publicly disclosed the nature and extent of such interest in writing to the Board in accordance with New York State General Municipal Law (GML).¹⁰ We found no evidence that the former FFA advisor made any written disclosures to the Board.

Because of the relationship between the FFA advisor and the Booster Club president, we reviewed all payments totaling \$52,300 made to the Booster Club during our audit period to determine whether they were properly authorized, supported and for appropriate purposes. Although payment orders were properly authorized and supported by invoices, we found that FFA costs for hosting the annual maple conferences increased significantly in 2017, after the FFA began utilizing the Booster Club for catering services. Specifically, the FFA's costs increased by \$13,011, or 168 percent from 2016 to 2017 when it began using the Booster Club to cater the event.

In 2016, the FFA paid \$7,757 to purchase food and supplies for meals prepared by FFA students and volunteers. However, in 2017, the FFA paid \$18,689¹¹ to

¹⁰ New York State General Municipal Law (GML) Section 803.

¹¹ The Booster Club charged a per meal cost.

the Booster Club for catering and \$2,079 to other vendors for paper products and supplies for a total of \$20,768. The profit and loss statement provided by the Booster Club for year end 2017¹² indicated its expenses for food and supplies for the maple conference were \$7,766 (consistent with the prior year), thereby producing a profit to the Booster Club of \$10,923.

While the Booster Club provided the FFA with an itemized invoice listing the per meal cost and the number of meals served during the conference (e.g., 934 lunches at \$13.50 per meal), there was no supporting documentation (e.g., press-numbered tickets or attendance records) to substantiate the total number of meals billed.

Additionally, the FFA was unable to provide documentation, such as meeting minutes, demonstrating that the student group approved the decision to utilize the Booster Club as a caterer for the event, agreed on an established per meal cost for the event or approved the payment. The former FFA advisor told us that, although the FFA paid the Booster Club for the preparation of meals, the FFA students continued to assist with the food preparations for the conference, as they had done in prior years.

In 2018, the FFA paid the Booster Club \$22,132 for catering services rendered during the maple conference held on January 5th and 6th. The Booster Club did not provide the District with a profit and loss statement for fiscal year 2018. Therefore, it is unknown how much the Booster Club may have profited as a caterer for the event. While the January 11th student meeting minutes reflect the approval to pay the Booster Club, there was no indication prior to the conference that the students approved to use the Booster Club for catering services or approved a per meal cost.

In addition, the FFA advisors and student treasurer did not prepare a profit and loss statement for the maple conferences. Therefore, it is unclear whether students were aware of the cost increase associated with using the Booster Club to cater the conference and the impact this arrangement had on FFA profits.

What Do We Recommend?

The Board and District officials should:

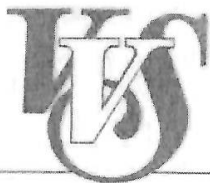
1. Ensure FFA funds are maintained in accordance with District policies and regulations.
2. Ensure an annual audit of the FFA's records, as required by Board policy and SED Regulations, is completed.

¹² Profit and loss statement was submitted to the District to satisfy District Policy 1016: Affiliated Organizations (revised April 17, 2018).

District officials, including the FFA business manager and FFA advisors, should:

3. Ensure the student treasurer maintains an independent accounting ledger indicating the date and amount of funds collected or paid out.
4. Ensure student meeting minutes are maintained and all FFA decisions are documented.
5. Ensure inventory for bottled maple syrup and other products held for sale are properly accounted for and that the inventory records are reconciled with the amounts on hand.
6. Ensure student treasurers properly account for collections and issue duplicate pressed-numbered receipts or maintain some other method of documentation to document the source, date, amount, payment type and purpose of each collection.
7. Ensure receipts recorded in the POS system include adequate documentation (check number, date, amount, payment type and purpose).
8. Ensure all recorded receipts are compared to deposits and follow up on any discrepancies.
9. Ensure 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.
10. Ensure all cash receipts are remitted timely and intact for deposit.
11. Seek recovery of funds from the NSF check returned to the FFA totaling \$1,187.
12. Review past credit card sales and ensure funds are transferred from the school store to the FFA as appropriate.
13. Consider establishing a separate account in the POS system to record FFA transactions. If the FFA continues to utilize the POS system with the school store, establish procedures to ensure all FFA credit card sales are reviewed and remitted in a timely manner.
14. Ensure payment orders submitted to the central treasurer are supported and for FFA purposes.
15. Discontinue the use of a debit card.
16. Ensure the FFA advisor and student treasurer prepare profit and loss statements for major events (e.g., maple conferences).

Appendix A: Response From District Officials



VERNON VERONA SHERRILL CENTRAL SCHOOL

City School District of the City of Sherrill

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March 9, 2020

Ms. Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
Syracuse Regional Office
State Office Building, Room 409
333 East Washington Street
Syracuse, New York 13202

Dear Ms. Wilcox:

This letter is in response to the findings and recommendations of the final report of examination resulting from your office's audit, per District request, of the Sherrill City School District's Future Farmers of America (FFA) Extra-Classroom Activity (ECA) Fund. Please also find attached the District's Corrective Action Plan. The Board of Education thanks the Comptroller's Office and its auditors for its timely response to this request and for its thorough audit of the District's FFA ECA Fund, and will continue to use this resource to monitor and maintain the safeguarding, accounting, and auditing of these funds. Ensuring and maintaining public trust is of critical importance to the mission of the School District. Fiscal responsibility and transparency are an essential foundational element of this trust. The District appreciates your assistance in this endeavor.

As your office is aware, the District requested this audit to assist in facilitating a transition from a long standing FFA and affiliated Booster Club leadership to a new FFA Advisor, a new FFA Business Manager, and a new Booster Club organization and leadership. Moving forward, the District intends to use this model of fiscal oversight with its own Independent External Auditors during significant periods of transition with other ECA programs.

While the District does not dispute any of the findings and recommendations contained in this audit, there are some points of clarification that the District feels are important to note:

1. The finding that the Board of Education did not ensure that an annual audit of the FFA ECA records was performed by its Independent External Auditors during the audit period is not in dispute. It is important to note that prior to the audit period, the previous FFA Advisor had applied for and been granted 501(c)(3) not-for-profit status for the FFA ECA under Title 26 of the Internal Revenue Code. The District was informed by its Independent External Auditors that due to this status, the FFA ECA could not be audited as part of the District's annual ECA Fund Audit. At that time, the District sought clarification from the NYS Comptroller's Office and was advised to consult with our Independent External Auditor. It should be noted that the District's Internal Auditor performed an annual risk assessment and audit of the FFA ECA during the audit period. The District appreciates the clarification provided in this audit. Moving forward, the District will ensure that the FFA ECA and any ECA granted 501(c)(3) not-for-profit status undergoes an annual audit of its records by the District's Independent External Auditors, along with all other District ECA Funds.
2. With regards to the finding that the FFA Advisors were allowed to use debit cards to make purchases without obtaining prior approvals, the District does not dispute that those transactions were made, that it is recommended that credit cards be used rather than debit cards, and that prior approval be granted before being used. However, it should be noted that the bank in which the FFA ECA funds were deposited during the audit period only issued banking cards that had both debit and credit functionality, and did not issue banking cards that were limited to being used solely as credit cards. In the Fall of 2019, the District was informed that the banking institution has made banking cards with only credit card functionality available. The District has been working with the banking institution to implement a conversion, or in the alternative, add the FFA ECA to the District's credit card with a separate accounting statement for FFA ECA transactions. District Officials will meet with banking officials to bring this conversion to a swift resolution. It should be noted that the District met on several occasions during the audit period with the previous FFA Advisor to review and clarify the District's ECA Policy, Credit Card Policy, and its expectations with regards to its use, which includes seeking prior approval.
3. As evidenced in the District's Corrective Action Plan, several actions were taken prior to, during, and since the audit period to assist and ensure the safeguarding, accounting, and auditing of the FFA ECA Funds. Included among these are the creation of an FFA Business Manager position, the Faculty Auditor position, revised ECA Policies and Regulations, a Credit Card Use Policy, and an Affiliated Organizations Policy. In addition, the District's Internal Auditor attended annual professional development activities specific to ECA Funds, conducted annual ECA trainings with Advisors, Chief Faculty Counselors (Principals), and Central Treasurers (Secretaries), conducted annual ECA risk assessments and audits and, on several occasions, provided specific policy review and training for the FFA Advisors and Booster Club leadership.

The District again compliments the Comptroller's Office on the comprehensive and constructive nature of the audit. Your assistance in the District's efforts to ensuring and maintaining the public trust is greatly appreciated.

Sincerely,

Martha Group
Superintendent of Schools

Melissa Palmer
President, Board of Education
Chairperson District Audit Committee

Sherrill City School District Audit – Comprehensive Corrective Action Plan

Future Farmers of America Extra-Classroom Activity Fund

Period Covered: January 1, 2016 – December 31, 2018

Report Number 2019M-251

Corrective Action Plan

Recommendation Number	Recommendation	Corrective Action	Implementation Date(s)	Person(s) Responsible for Implementation
1	The Board of Education and District officials should ensure FFA funds are maintained in accordance with District policies and regulations	<p>1.1 Beginning July, 2006 the District’s Internal Auditor has included all ECAs, including the FFA ECA, as part of its annual risk assessment.</p> <p>1.2 Beginning September 2013, the District’s Internal Auditor began attending annual training on ECA funds.</p> <p>1.3 The Board of Education adopted revised ECA funds Policy 4024 and Regulations 4024.1, 4024.2 consistent with New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds</i>.</p> <p>1.4 Beginning September 2014 the District Internal Auditor meets annually with the Central Treasurers (Building Secretaries), Chief Faculty Counselors (Building Principals), ECA Business Mangers, and Faculty Advisors to review District policy 4024, Regulations 4024.1, 4024.2, and the New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds</i>.</p> <p>1.5 In November 2015, the District created the new position of FFA Business Manager to provide additional support to, and oversight of, the safeguarding, accounting, and auditing of the FFA ECA fund. The current Business Manager has held the position since May</p>	<p>1.1 7/2006 and annually thereafter</p> <p>1.2 9/2013 and annually thereafter</p> <p>1.3 12/21/15, and 12/17/18</p> <p>1.4 9/2014 and annually thereafter</p> <p>1.5 Created 11/18/2015, Current FFA Business Manager appointed May 2018.</p> <p>1.6 Created 12/21/15. Appointed 11/25/2019</p>	<p>1.1 Independent External Auditor, Board of Education, and District Officials</p> <p>1.2 Internal Auditor, Board of Education, and District Officials</p> <p>1.3 Board of Education, and District Officials</p> <p>1.4 Internal Auditor, Central Treasurer, Chief Faculty Counselor, ECA Business Managers, Faculty Advisors, Board of Education, and District Officials</p> <p>1.5 FFA Business Manager, Board of Education, and District Officials</p> <p>1.6 Faculty Auditor of ECA Funds, Board of Education, and District Officials</p>

		<p>2018. Since the creation of the position in 2015, two previous Business Managers resigned for personal reasons.</p> <p>1.6 District created new position of Faculty Auditor of ECA Funds in accordance with New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds</i>. Due to lack of interested applicants, this position remained vacant until 11/25/2019.</p>		
2.	<p>The Board of Education and District officials should ensure an annual audit of the FFA's ECA fund records, as required by Board Policy and SED Regulations, is completed</p>	<p>2.1 Prior to and through the 2015-16 school year, all ECA funds, including the FFA's ECA records, had been audited on an annual basis as part of the District's Independent External Audit. At the conclusion of the 2016-17 school year, the District's Independent External Auditor informed the District that they could no longer audit the FFA as part of the ECA funds, as the FFA had applied for and been granted Federal 501(c)(3) not-for-profit status. All other ECA funds have continued to be audited by the District's Independent External Auditor without interruption through the 2018-2019 school year.</p> <p>2.2 The District's Internal Auditor has performed an annual risk assessment on the FFA ECA funds since September 2014 and provided an annual report of same to the District's Audit Committee</p> <p>2.3 The NYS Comptroller, per District request, performed a comprehensive auditing of the FFA ECA funds from the 2016-17 school year through the 2018-2019 school year.</p> <p>2.4 The District's Independent External Auditor will perform an audit of the FFAs ECA funds for 2018-19 and include annually as</p>	<p>2.1 Through the 2015-16 school year</p> <p>2.2 Annual risk assessment beginning 9/2014</p> <p>2.3 Audited by NYS Comptroller 2016-17 through 2018-19.</p> <p>2.4 2018-2019 SY and annually thereafter.</p>	<p>2.1 Independent External Auditor, Board of Education, and District Officials</p> <p>2.2 Internal Auditor, Board of Education, District Audit Committee</p> <p>2.3 Board of Education, and District Officials</p> <p>2.4 Independent External Auditor, Board of Education, and District Officials</p>

		part of its ECA audit moving forward.		
3.	District officials, including the FFA Business Manager and FFA Advisors should ensure the student treasurer maintains an independent accounting ledger indicating the date and amount of funds collected and paid out.	<p>3.1 Beginning May 2018, the FFA Business Manager assisted the Student Treasurer in the reconstruction of 2017-2018 records.</p> <p>3.2 May 2018 and moving forward, the Student Treasurer consistently maintains an independent accounting ledger, recorded in a timely manner, and reconciled at least monthly with the Central Treasurer of ECA Funds.</p>	<p>3.1 May 2018</p> <p>3.2 May 2018 and moving forward</p>	<p>3.1 Chief faculty Counselor, FFA Business Manager, FFA Advisor, Central Treasurer, Faculty Auditor of ECA Funds per New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds</i>, District policy 4024, and Regulations 4024.1, 4024.2</p>
4.	District officials, including the FFA Business Manager and FFA Advisors should ensure student meeting minutes are maintained and all FFA decisions are documented.	<p>4.1 Until May 2018, the FFA ECA maintained meeting minutes. However, these insufficiently documented the level of detail necessary to justify club expenditures.</p> <p>4.2 May 2018 moving forward, meeting minutes have been consistently maintained with increased detail, documenting student decisions.</p>	<p>4.1 Until May 2018</p> <p>4.2 May 2018 moving forward</p>	<p>4.1 Chief faculty Counselor, FFA Business Manager, FFA Advisor, Central Treasurer, Faculty Auditor of ECA Funds per New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds</i>, District policy 4024, and Regulations 4024.1, 4024.2</p>
5.	District officials, including the FFA Business Manager and FFA Advisors should ensure inventory for bottles maple syrup and other products held for sale are properly accounted	<p>5.1 In March 2019, a full inventory of all maple related products was taken and reconciled with quantities on hand.</p> <p>5.2 March 2019 moving forward, inventory is consistently maintained and regularly reconciled using VVS FFA [REDACTED] software program</p>	<p>5.1 March 2019</p> <p>5.2 March 2019 and moving forward</p>	<p>5.1 Chief faculty Counselor, FFA Business Manager, FFA Advisor, Central Treasurer, Faculty Auditor of ECA Funds per New York State Education Department</p>

	for and that the inventory records are reconciled with the amounts on hand.			Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds</i> , District policy 4024, and Regulations 4024.1, 4024.2
6.	District officials, including the FFA Business Manager and FFA Advisors should ensure the Student Treasurer properly accounts for collections and issue duplicate pressed-numbered receipts or maintain some other method of documentation to document the source, date, amount, payment type, and purpose of each collection.	6.1 Beginning July 2018, the use of press-numbered receipts, including documenting the source, date, amount, payment type, and purpose of each collection became standard practice.	6.1 July 2018	6.1 Chief faculty Counselor, FFA Business Manager, FFA Advisor, Central Treasurer, Faculty Auditor of ECA Funds per New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds</i> , District policy 4024, and Regulations 4024.1, 4024.2
7.	District officials, including the FFA Business Manager and FFA Advisors should ensure receipts recorded in the POS system include adequate documentation (check number, date, amount, payment type, and purpose)	7.1 Prior to December 2019, the FFA POS account was shared with The Red Zone (school store) and manually disaggregated. 7.2 Beginning December 2019, the FFA established its own separate POS account through the FFA [REDACTED] software program and all sales and inventory processed separately.	7.1 Until December 2019. 7.2 December 2019 moving forward	7.1 Chief faculty Counselor, FFA Business Manager, FFA Advisor, Central Treasurer, Faculty Auditor of ECA Funds per New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds</i> , District policy 4024, and Regulations 4024.1, 4024.2

8.	District officials, including the FFA Business Manager and FFA Advisors should ensure all recorded receipts are compared to deposits and follow up on any discrepancies.	8.1 Beginning May 2018, all recorded receipts are consistently compared to deposits and discrepancies are followed up on.	8.1 May 2018 moving forward	8.1 Chief faculty Counselor, FFA Business Manager, FFA Advisor, Central Treasurer, Faculty Auditor of ECA Funds per New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds</i> , District policy 4024, and Regulations 4024.1, 4024.2
9.	District officials, including the FFA Business Manager and FFA Advisors should ensure 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 Treasurer's and the Central Treasurer's records.	9.1 Beginning May 2018, the Central Treasurer consistently receives collection documentation supporting cash receipts remitted for deposit, and cash receipts are properly recorded in ledgers by comparing the Student Treasurer's and the Central Treasurer's records.	9.1 May 2018 moving forward.	9.1 Chief faculty Counselor, FFA Business Manager, FFA Advisor, Central Treasurer, Faculty Auditor of ECA Funds per New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds</i> , District policy 4024, and Regulations 4024.1, 4024.2
10.	District officials, including the FFA Business Manager and FFA Advisors should ensure all cash receipts are remitted timely and intact for deposit.	10.1 Beginning May 2018, all cash receipts are remitted timely and intact for deposit.	10.1 May 2018 moving forward.	10.1 Chief faculty Counselor, FFA Business Manager, FFA Advisor, Central Treasurer, Faculty Auditor of ECA Funds per New York State Education Department Guidance Document, <i>The</i>

				<i>Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds, District policy 4024, and Regulations 4024.1, 4024.2</i>
11.	District officials, including the FFA Business Manager and FFA Advisors should seek recovery of funds from the NSF check returned to the FFA totaling \$1,187.	11.1 The FFA Business Manager will work with the Central Treasurer to seek recovery of NSF funds. The NSF check was identified as check number [REDACTED] from [REDACTED] [REDACTED] issued on 4/25/2016, totaling \$1,186.75.	11.1 March 2020	11.1 Chief faculty Counselor, FFA Business Manager, FFA Advisor, Central Treasurer, Faculty Auditor of ECA Funds per New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds, District policy 4024, and Regulations 4024.1, 4024.2</i>
12.	District officials, including the FFA Business Manager and FFA Advisors should review past credit card sales and ensure funds are transferred from the school store to the FFA as appropriate.	12.1 Beginning March 2020, the FFA Business Manager and FFA Advisor will review past credit card sales to ensure that any funds that have not been transferred from the school store to the FFA shall be done so as appropriate.	12.1 March 2020	12.1 Chief faculty Counselor, FFA Business Manager, FFA Advisor, Central Treasurer, Faculty Auditor of ECA Funds per New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds, District policy 4024, and Regulations 4024.1, 4024.2</i>
13.	District officials, including the FFA Business Manager	13.1 Beginning December 2019, the FFA established its own separate POS account through	13.1 December 2019.	13.1 Chief faculty Counselor, FFA Business Manager,

	and FFA Advisors should consider establishing a separate account in the POS system to record FFA transactions. If the FFA continues to utilize the POS system with the school store, establish procedures to ensure all FFA credit card sales are reviewed and remitted in a timely manner.	the FFA [REDACTED] software program, all sales and inventory processed separately, and procedures have been established to ensure all FFA ECA credit card sales are reviewed and remitted in a timely manner.		FFA Advisor, Central Treasurer, Faculty Auditor of ECA Funds per New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds</i> , District policy 4024, and Regulations 4024.1, 4024.2
14.	District officials, including the FFA Business Manager and FFA Advisors should ensure payment orders submitted to the Central Treasurer are supported and for FFA purposes	14.1 Beginning May 2018, FFA payment orders submitted to the Central Treasurer are supported and for FFA purposes.	14.1 May 2018 moving forward	14.1 Chief faculty Counselor, FFA Business Manager, FFA Advisor, Central Treasurer, Faculty Auditor of ECA Funds per New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds</i> , District policy 4024, and Regulations 4024.1, 4024.2
15.	District officials, including the FFA Business Manager and FFA Advisors should discontinue the use of a debit card.	15.1 Prior to the Fall of 2019, District's banking institution advised it did not issue cards that operated solely as a credit card without the debit card function. In the Fall of 2019, the District requested its banking institution issue a credit card to replace the debit card, as it was the District's understanding the banking institution now had the ability to do so, or in the alternative, add the FFA ECA to the District's credit card and generate separate accounting	15.1 Fall 2019 15.2 March 2020	15.1 Chief faculty Counselor, FFA Business Manager, FFA Advisor, Central Treasurer, Faculty Auditor of ECA Funds per New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of</i>

		statements. To date, this has not been resolved. 15.2 District Officials will meet with banking institution to bring this to a swift resolution		<i>Extraclassroom Activity Funds, District policy 4024, and Regulations 4024.1, 4024.2</i>
16.	District officials, including the FFA Business Manager and FFA Advisors should ensure the FFA Advisor and the Student Treasurer prepare profit and loss statements for major events (ie. Maple Conferences).	16.1 Beginning May 2018, the FFA Advisor and the Student Treasurer, under the supervision and assistance of the FFA Business Manager, consistently prepare profit and loss statements for major events (ie. Maple Conferences).	16.1 May 2018 moving forward.	16.1 Chief faculty Counselor, FFA Business Manager, FFA Advisor, Central Treasurer, Faculty Auditor of ECA Funds per New York State Education Department Guidance Document, <i>The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds</i> , District policy 4024, and Regulations 4024.1, 4024.2

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 the policy manual and various financial records and reports to gain an understanding of the District's procedures related to FFA funds.
- To test cash receipts, we randomly selected 50 deposits totaling \$361,939 and used our professional judgment to select two other deposits totaling \$10,522 that were recorded in the central treasurer's records during our audit period. We reviewed the statements of deposit, deposit compositions and other available documentation to determine whether the collections were supported by receipts or some other form of documentation of the collections, accurately accounted for in the central treasurer's accounting records and deposited intact and in a timely manner.
- We compared and attempted to reconcile deposits totaling \$33,362 made at the end of the 2016, 2017 and 2018 annual citrus and maple sales with the related receipts recorded in the POS system. We also reviewed sales recorded during a local health fair by the Booster Club in the POS system in 2016 and 2017 and attempted to trace the recorded sales (\$1,964) to the related deposits in the FFA bank account.
- We reviewed all credit card sales recorded by the FFA in the POS system during our audit period to determine whether the FFA received all money from the school store related to these sales.
- We used our professional judgment to select 56 check disbursements totaling \$120,774 and determined whether they were supported by approved disbursing order forms, contained adequate documentation and were for appropriate purposes. Our sample included payments to the VVS FFA Alumni Booster Club,¹³ New York State FFA Alumni Association, current FFA advisor, former FFA advisor and his potential relatives, and sap vendors.
- We selected a random test sample of 22 check disbursements totaling \$9,150, using a computerized spreadsheet function, and determined whether they were supported by approved disbursing order forms, contained adequate documentation and were for appropriate purposes.
- We used our professional judgment to select 18 debit card transactions totaling \$26,020 (including the six highest transactions) and randomly selected 14 other debit card disbursements totaling \$2,410 to determine

¹³ The former advisor's wife was President of the VVS FFA Alumni Booster Club.

whether they were supported by approved disbursing order forms, contained adequate documentation and were for appropriate purposes.

- We reviewed FFA student minutes to determine whether they adequately documented the approval of certain transactions.
- We reviewed documents related to meal costs for the 2016 and 2017 maple conference.

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.

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

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