



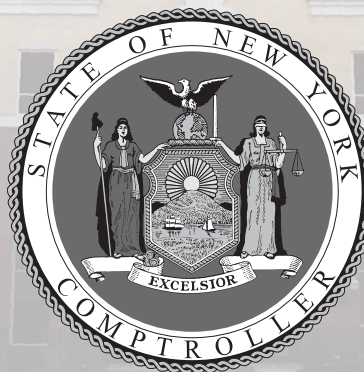
Whitney Point Central School District Extra-Classroom Activities

Report of Examination

Period Covered:

July 1, 2014 – January 31, 2016

2016M-282



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Whitney Point Central School District, entitled Extra-Classroom Activities. This audit was conducted 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.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Whitney Point Central School District (District) is located in 11 towns in Broome (six), Chenango (two), Cortland (two) and Tioga (one) Counties.¹ The District is governed by the Board of Education (Board), which is composed of seven elected members. The Board has the responsibility for the general management and control of the District's financial and educational affairs, including the extra-classroom activity fund. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the District under the Board's direction. The Superintendent makes recommendations to the Board about the staff necessary to fulfill duties related to extra-classroom activities, including the central treasurer (treasurer). The treasurer has custody of all extra-classroom funds, including checks and cash receipts.

A faculty advisor guides and advises the students in planning extra-classroom activities and financial budgets, along with providing oversight of the deposit and disbursement of money and recordkeeping. From time to time, faculty advisors check the balance of the student activity treasurers' (student treasurers) accounts and the completeness of supporting evidence. Faculty advisors work toward ensuring the largest educational return from the activities participated in by the students. Each student treasurer is directly involved in the receipt and disbursement of money and is responsible for maintaining a ledger showing all receipts and disbursements and indicating a daily running balance.

There are 22 active extra-classroom clubs within the District, each having its own student treasurer and faculty advisor who report financial activities to the treasurer. Students receive funds for extra-classroom activities from a number of sources, such as admissions, membership dues, sales, campaigns and donations. This money may be spent in any reasonable manner. The extra-classroom activity fund had approximately \$196,000 in receipts and \$205,000 in disbursements during the 2014-15 school year.

The District operates three schools with approximately 1,400 students and 330 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$33.5 million, which were funded primarily with State aid and real property taxes.

¹ Towns of Barker, Chenango, Lisle, Maine, Nanticoke and Triangle in Broome County; Towns of Greene and Smithville in Chenango County; Towns of Lapeer and Willet in Cortland County; Town of Richford in Tioga County

Objective	<p>The objective of our audit was to determine whether the Board ensured that the central treasurer properly accounted for extra-classroom cash receipts and disbursements. Our audit addressed the following related question:</p> <ul style="list-style-type: none"> • Did District officials ensure that extra-classroom cash receipts and cash disbursements were properly accounted for?
Scope and Methodology	<p>We examined the District’s extra-classroom activities’ cash receipts and disbursements for the period July 1, 2014 through January 31, 2016. We extended our scope to review dance deposits for fiscal years 2012-13 and 2013-14.</p> <p>We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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.</p>
Comments of District Officials and Corrective Action	<p>The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.</p> <p>The Board has the responsibility to initiate corrective action. 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, 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, with a copy forwarded to 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, <i>Responding to an OSC Audit Report</i>, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk’s office.</p>

Extra-Classroom Activities

The Regulations of the Commissioner of Education (Regulations) of the New York State Education Department (SED) were formulated not only to safeguard the funds of extra-classroom activities, but also to provide schools with the opportunity to teach students good business procedures through participation in handling such funds and operating a successful business. For many students, this may be the only business training they will receive in school. SED also published a pamphlet that presents a plan for the management and accounting of these funds.² The Board should use this pamphlet as guidance when adopting policies and procedures that describe the records that District personnel and students must maintain and the duties and control procedures to be used for the safeguarding, accounting and auditing of extra-classroom activities money.

Although the treasurer properly accounted for receipts and disbursements for most of the clubs we reviewed, we found one club, the Middle School Student Association (MSSA),³ with significant deficiencies. For example, no evidence was found that proceeds from at least five events were deposited. We estimate the proceeds should have been approximately \$7,600, based on typical revenue collected at these events. For these same events, faculty advisors paid at least \$3,300 to various event vendors without going through the proper disbursements process, resulting in approximately \$4,300 of unaccounted for money. This occurred because the Board did not establish adequate policies and procedures to ensure receipts from all events are deposited, and the treasurer did not ensure the faculty advisors followed the established informal procedures.

Cash Receipts

District policies should describe the records that the faculty advisors and student treasurers must maintain and the duties and control procedures to be used. For example, records should include documentation such as pre-numbered tickets or some other tracking of admissions, pre-numbered duplicate receipts, evidence that all money was turned over to the treasurer (including types of money), and profit and loss statements.⁴ Accordingly, faculty advisors and student treasurers should provide adequate support of money

² 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.

³ MSSA is made up of several clubs including student government, grade 6, grade 7 and grade 8.

⁴ Profit and loss statements estimate expected revenues and expenses for each activity. Once the activity is finished, this statement is updated to show the actual revenues and expenses.

collected at events so the treasurer can ensure all money collected is deposited. According to the treasurer, cash and checks should be deposited within five days to prevent the loss or misuse of cash. Additionally, faculty advisors should ensure that student treasurers maintain accurate records and submit fundraising approval forms⁵ to the building principals and Superintendent for approval.

MSSA Clubs' Dances – The MSSA clubs hosted eight dances at the middle school during our scope period but did not always turn in the money collected. Faculty advisors told us they used the money collected to pay dance-related expenses, such as the disc jockey for the dance, items sold at the dance and food baskets to be donated to needy families. These expenses were not paid through the District's normal disbursements process. A faculty advisor also told us that other middle school teachers used some of these undeposited cash collections to pay expenditures for other dances and events. However, no one could provide sufficient evidence of these expenditures. Additionally, we were unable to determine which specific club hosted any of the dances associated with the unaccounted for money because faculty advisors in charge of these clubs did not prepare and submit fundraising approval forms or profit and loss statements.

The clubs remitted money for three of the eight dances, which the treasurer deposited in the bank. Although the clubs completed a cash receipts form⁶ with the club name, deposit amount, date and source, there was no additional supporting documentation such as attendance records or ticket sales to be able to verify all cash collected was remitted. In addition, none of the three deposits were timely and only one was recorded in the club ledger. One deposit totaling \$600 was deposited one month after the dance and one deposit totaling \$348 was deposited three months after the dance.

Based on deposits from prior dances, we estimate \$7,600 should have been collected for the other five dances. We estimate the unrecorded expenditures for dance-related expenses and other events were \$3,300 resulting in approximately \$4,300 of unaccounted for money. Furthermore, there is also unaccounted for money in prior years because the treasurer's ledgers reflected no deposits for school dances during the 2012-13 or 2013-14 fiscal years.

Other MSSA Club Events – MSSA organizes various charity fundraisers and end-of-year contests where money is collected from

⁵ Fundraising approval forms detail the type of fundraiser, clubs involved and dates the fundraiser will take place.

⁶ The faculty advisors and student treasurers use a form, entitled Student Activities Account of Money Received, provided by the treasurer, which includes the club name, deposit amount, date and source.

students and then remitted to a charity. We identified two end-of-year contests and three fundraisers at the middle school with deposits of over \$265 and \$515, respectively. For both contests, the faculty advisor improperly deposited the money into her personal account before remitting to the treasurer. The faculty advisor told us that it was more convenient to deposit funds into her personal bank account because her bank has a coin counting machine. For one end-of-year contest, she did not remit the money to the treasurer for five weeks; she remitted the money for the other end-of-year contest after six days.

We could not determine if the deposits for the three fundraisers were timely because staff did not document the fundraising date. While each of the five deposits were supported by a cash receipts form, none had additional support that would allow us to determine if all money collected was deposited in the bank and two were not recorded in the club ledger. Furthermore, we could not determine if additional fundraisers occurred because the faculty advisors of this club did not complete fundraising approval forms or profit and loss statements.

Other Clubs – Our audit testing showed other clubs had deposited money collected in a timely manner and the amounts seemed reasonable based on the cost of the goods sold. However, we could not determine if fundraisers occurred in addition to what was recorded because the District did not maintain a calendar of events.

Cash Disbursements

District policies and procedures for disbursing extra-classroom activity money should ensure that the District only pays for goods or services that are proper expenditures supported by adequate documentation. The procedures and records should include pre-numbered disbursing orders, signed by the faculty advisor and student treasurer, and supporting documentation such as an invoice for these purchases; and the disbursements should be recorded in the club ledger. The requirement for multiple signatures on the disbursing order is essential to any plan, as it helps to ensure appropriate levels of review prior to the disbursement being made. The Board must also ensure the treasurer does not perform all aspects of the check writing process, or it should implement compensating controls such as requiring independent reviews of bank statements and canceled check images, to ensure disbursements are only for legitimate extra-classroom purposes.

District officials provided adequate oversight of the disbursements that were submitted to the treasurer for payment. While the treasurer performs all aspects of the cash disbursements process, the School Business Executive provides adequate oversight. Faculty advisors

and student treasurers complete and sign disbursement forms⁷ and submit these, with support, to the treasurer for payment, and record the disbursements in the club ledger. The treasurer prepares and signs all checks. The School Business Executive's signature is also required on all checks. In addition, the School Business Executive reviews the bank statements, including canceled check images.

We tested 27 check disbursements totaling \$8,200 that were submitted to the treasurer for payment. All checks had the required two signatures. Except for minor discrepancies which we communicated to District officials, disbursement forms were properly signed, adequately supported and maintained on file.

However, faculty advisors circumvented the established disbursement process by paying for expenditures with undeposited receipts, as discussed earlier in this report. These deficiencies occurred because the Board did not adopt adequate policies and officials did not ensure formal procedures were documented and followed. For example, the Board adopted a policy on extra-classroom funds and included general stipulations in the teacher's contract that discuss requirements the teachers must follow as faculty advisors of extra-classroom clubs. However, these policies and procedures were lacking in various areas. Specifically, the policies and procedures do not require someone to track fundraising events to ensure corresponding receipts are deposited and expenditures are paid through the check process. Furthermore, while required by the Superintendent, faculty advisors did not consistently complete and submit fundraising forms for approval by the building principal and Superintendent. By not having completed fundraising forms, no one could determine when events occurred or when deposits and related disbursements should be expected.

Moreover, while the School Business Executive provided the treasurer and faculty advisors with the SED pamphlet, this pamphlet provides general guidance, and does not provide faculty advisors with specific procedures to follow. Faculty advisors and student treasurers would have a clear understanding of what was expected of them if the treasurer's procedures were documented. These deficiencies resulted in an estimated \$4,300 of unaccounted for extra-classroom money. There may also be similar shortages from prior years. When cash receipts are not remitted to the treasurer and not supported by appropriate documentation, there is an increased risk of misuse, abuse or fraud. It is especially important to safeguard extra-classroom activities money because it is ultimately for student benefit.

⁷ A disbursement form details the club, date of request, payee and total amount requested and is signed by the student treasurer, faculty advisor and treasurer.

Recommendations

The Board and District officials should:

1. Update their adopted policies and establish formal procedures with the assistance of the SED pamphlet on extra-classroom activities. At a minimum, the policies and procedures should require:
 - Someone to account for all fundraisers and events to ensure all money collected at these events is deposited.
 - Criteria for money being deposited in a timely manner.
 - All expenditures, including those associated with dances, to be paid through the disbursements process.
 - Adequate support to be provided with the deposit form submitted including the use of profit and loss statements which contain sufficient detail to allow the treasurer to account for the money of each fundraiser or event.
 - All fundraisers occurring at the District to be approved and financial activity recorded on club ledgers.
2. Ensure policies and procedures are followed to provide reasonable assurance that money is properly safeguarded.
3. Ensure faculty advisors do not deposit money into their personal bank accounts.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page.



Whitney Point Central School District

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Superintendent of Schools

Patricia A. Follette

Director of Curriculum and Instruction

Jo-Ann Sexton

School Business Executive

Zachary Woodard

November 22, 2016

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building, Room 1702
44 Hawley Street
Binghamton, New York 13901-4417

RE: Whitney Point Central School District
Preliminary Report of Examination, July 1, 2014 – January 31, 2016

Dear Mr. Eames,

The Whitney Point Central School District is in receipt of the draft audit report *Extra-Classroom Activities* prepared by the Office of the State Comptroller for the period of July 1, 2014 through January 31, 2016. The District is in agreement with the recommendations made in this report and have already implemented changes to our procedures to address these issues.

The Board of Education and District Administration strive to implement best practices and procedures in regards to Extra-Classroom activities. We truly appreciate the issues that were brought to our attention and the identified areas that can be strengthened. We are taking this audit as a positive learning experience and will continue to work to improve our accounting and fiscal practices as well as the overall educational experience offered to our students.

We would like to thank our local field staff of the Comptroller's Office for making this audit a positive experience and for providing recommendations to improve our Extra-Classroom Activity Funds processes. The audit staff was courteous and exhibited professionalism in conducting their duties as auditors for the New York State Comptroller.

Sincerely,

Patricia Follette
Superintendent of Schools

cc: Whitney Point CSD Board of Education
Zachary Woodard, School Business Executive

The Mission of the Whitney Point Central School District is to provide an excellent education ensuring that all children maximize their potential, become contributing citizens, and pursue lifelong learning.

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials and reviewed documentation relevant to the receipts and disbursements process and applicable District policies relating to extra-classroom activities.
- We judgmentally selected and reviewed the cash receipts and cash disbursements for three clubs. We selected the clubs with the highest receipts and disbursements activity for the 2014-15 fiscal year. We also randomly selected and reviewed the cash receipts and disbursements for two additional clubs.
- We examined 10 percent of the receipts collected for four of the clubs selected. We judgmentally selected this sample by starting with the first receipt and selected every fourth one for review. We traced receipts from the club ledger to the clubs deposit slip and duplicate receipt (ensuring both matched the treasurers' copies) and to the bank statement to verify receipts were deposited in a timely fashion.
- We reviewed all recorded cash receipts for the MSSA club from the ledgers to the cash receipts form with any support to the bank statements. We also reviewed the District calendar to determine the number of dances held at the middle school by MSSA during our scope period.
- We estimated the amount of dance deposits not deposited by one club by taking an average of the two dance deposits (\$866) that were made and one concession deposit (\$348) that was made. We applied this average and the concession deposit to the other dances in our scope period, with one exception. For the 8th grade dance we used verbal assertions for ticket price and attendance rates and calculated the deposit amount based on those figures (ticket price was \$9; approximate attendance rate was 60 percent, or 73 students). We used verbal assertions and receipts provided by the club to estimate the expenditures associated with the dances. We subtracted the estimated expenditures from the estimated undeposited dance receipts to determine total unaccounted for money.
- We reviewed the treasurer's ledgers for 2011-12, 2012-13 and 2013-14 to determine if dance money was recorded, and therefore deposited in the bank, in any of those years.
- We judgmentally selected four fundraising activities with deposits totaling \$2,460 from the approval forms. We reviewed supporting documentation including profit and loss statements, where applicable, from the event and traced to records at the club to the treasurers records and to the bank deposit. We verified from the bank deposit support that the receipts were deposited timely.
- We examined 10 percent of the disbursements, amounting to nine disbursements totaling \$5,370, for four of the clubs selected as noted above. We selected our checks from club ledgers by selecting the first disbursement for the clubs tested starting in September and skipping the

next two checks to select the next disbursement for testing. For the MSSA club we reviewed all 16 disbursements totaling \$2,060 in our scope period. We verified the payee and amounts match and that the disbursements were supported by documentation and for proper club purposes.

- We reviewed check images for our scope period for all six disbursements totaling \$1,375 made payable to the advisors and student treasurers for the clubs being tested, as well as the treasurer to ensure they were supported and for proper club purposes.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

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