



Seaford Union Free School District Extra-Classroom Activities

Report of Examination

Period Covered:

July 1, 2014 – March 31, 2016

2016M-291



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 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 Seaford Union Free 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 Seaford Union Free School District (District) is located in the Town of Hempstead in Nassau County. The District is governed by the Board of Education (Board), which is composed of five elected members. The Board is responsible 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 District's day-to-day management under the Board's direction.

The District operates four schools with approximately 2,400 students and 500 employees. The District's budgeted appropriations for the 2015-16 fiscal year were approximately \$63.6 million, funded primarily with State aid, real property taxes and grants.

An extra-classroom activity (ECA) is an organization within a school district whose activities are conducted by students and whose financial support is raised and spent by students. Each ECA club has a faculty advisor to advise and assist the student treasurer in the club's recordkeeping activities. The Superintendent is responsible for recommending to the Board the clerical staff necessary to fulfill duties related to ECAs, including the central treasurer¹ who has custody of ECA club funds.

Objective

The objective of our audit was to review the District's cash receipt process for ECA funds. Our audit addressed the following related question:

- Did the Board ensure that District officials properly accounted for ECA cash receipts?

Scope and Methodology

We examined the District's extra-classroom activities for the period July 1, 2014 through March 31, 2016. We expanded our scope period forward through June 30, 2016 to examine school store receipts.

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

¹ The central treasurer position for ECAs differs from that of a District Treasurer. Some District Treasurers also hold the central treasurer position but other applicable district employees can also hold the central treasurer position.

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 the relevant population size and the sample selected for examination.

**Comments of
District Officials and
Corrective Action**

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 agreed with our recommendations and indicated they planned to initiate corrective action.

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, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Cash Receipts

The New York State Commissioner of Education's Regulations (Regulations) are intended to safeguard ECA funds and provide school districts 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. The New York State Department of Education (SED) published a pamphlet that presents a plan for those responsible for managing and accounting for these funds.²

The Board should follow the SED plan or make its own plan, including rules and regulations for the conduct, operation and maintenance of ECAs and for safeguarding, accounting and auditing all money received. The District's plan should include adopted policies and procedures that describe the records that District personnel and students must maintain and the duties and control procedures to be used to prevent the loss of funds.

The District's written guidelines require that all funds collected must be deposited as soon as possible and that no faculty advisor may retain collected funds to pay for upcoming ECA expenditures. District officials have put controls in place to ensure that ECA funds collected are promptly recorded and deposited in a timely manner. The District's guidelines require that ECA clubs prepare a "statement of deposit with the central treasurer form" (form) for amounts deposited with the central treasurer. The form indicates the name of the ECA club, the activity from which the funds were received and the total amount collected.

The form should be signed by the student treasurer and faculty advisor and forwarded with the bank deposit ticket to the designated building secretary. The building secretary compares the amount remitted with the amount indicated on the prepared form and bank deposit ticket, records the deposit in a manual log of receipts and prepares a deposit bag, witnessed by the school messenger.

The school messenger makes the bank deposit and returns the bank receipt to the building secretary, who forwards the form, bank deposit ticket and bank receipt to the central treasurer. The central treasurer initials and dates the form after the funds are deposited, records

² *Safeguarding, Accounting, and Auditing of Extra-classroom Activity Funds* is available at <http://www.p12.nysed.gov/mgtserv/accounting/docs/ExtraClassroomActivitiesJanuary2015.pdf>.

the deposit in a computerized ledger and produces a “statement of receipt” in duplicate. The central treasurer attaches one copy to the form and bank deposit received from the building secretary and the second copy is returned to the ECA club.

District officials generally ensured that the cash receipts process for ECA funds was administered in accordance with District guidelines and the Regulations. However, the school store faculty advisor routinely retained a portion of cash collected for anticipated club expenditures and deposits submitted to the central treasurer typically lacked detailed documentation of money collected. During 2015-16, the school store deposits were not made in a timely manner, with the time between collection and deposit dates ranging from 15 to 91 days.

During 2014-15, District officials recorded receipts totaling \$283,096 from 33 ECA clubs. We reviewed 20 deposits totaling \$50,857 made during our audit period by the five clubs (class of 2015, cheerleading, drama, high school band and the school store) with the highest dollar amount of receipts. We traced these receipts from the bank statements to the central treasurer’s statements of receipt, the bank receipts, the deposit slips and the forms to determine if the receipts were accurately recorded and deposited intact³ and in a timely manner.

We found that the building secretary deposited all club money intact in a timely manner. However, student treasurers did not always submit ECA receipts to the building secretary timely. We examined seven receipts totaling \$19,963 (three deposits from the school store, three from the drama club and one from cheerleading) and found that they were submitted to the building secretary between seven and 84 days after the money was collected. Furthermore, the school store receipts were not supported by a profit and loss statement or sufficient detail for the central treasurer to determine if all receipts collected were submitted to the building secretary.

We also examined all nine school store deposits totaling \$13,327 made from July 1, 2015 through June 30, 2016. Despite the school store being open and collecting money nearly every day from September through June, this club generally averaged one deposit every 28 days. However, no deposits were made from December 22, 2015 until March 22, 2016, 91 days later. Moreover, when deposits were submitted to the building secretary, no detail was included with the form to allow the building secretary to determine whether all the school store money collected was submitted.

³ Intact means in the same amount and form (cash or check) as received.

While the school store advisor maintained a daily sales log documenting morning sales, afternoon sales and a daily total, some entries contained evident changes and mathematical errors. Additionally, there was no evidence of student involvement or that anyone reconciled the logs to any other records. By not submitting documentation of total sales with each deposit, the faculty advisor was able to withhold money from each deposit without the central treasurer's knowledge. Further, although the money is locked in a safe until deposit, not immediately depositing all money collected increases the risk that some or all of the money could be lost or stolen.

Withholding Money from Deposits – We found that the school store advisor generally held undeposited money in his drawer to use for club expenditures, such as purchasing inventory. From July 1, 2015 through June 30, 2016, we determined that the faculty advisor withheld \$7,994 from deposits. The advisor provided receipts to show he used the undeposited cash to purchase:

- Various items (including candy, chips and cookies, fresh fruit, paper goods and dishwasher detergent) on 32 occasions totaling \$7,278 from a local warehouse store and \$175 from grocery and convenience stores to resell in the school store and
- Nine \$50 gift cards (plus activation fees) totaling \$475 to be given to students as awards.

The remaining \$66 was unaccounted for. Because the faculty advisor paid vendors directly from club money collected for school store sales without these funds being remitted to the central treasurer, there was no record of these transactions. As a result, District officials, including the faculty advisor and central treasurer have no assurance that the store club's account was fully reconciled or that all school store sales were recorded.

Recommendations

The Board should:

1. Ensure the adopted policies and procedures, including SED pamphlet requirements, are enforced by District officials involved in ECAs.

District officials should:

2. Ensure that all receipts are deposited in a timely manner.

The central treasurer should:

3. Ensure that ECA clubs attach profit and loss statements or other detail sufficient to support that all money collected is included in the deposits.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



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BRIAN L. CONBOY
SUPERINTENDENT OF SCHOOLS

October 13, 2016

Office of State Comptroller
Ira McCracken, Chief Examiner
NYS Office Bldg., Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

RE: Audit Report 2016M-291

Dear Mr. McCracken:

The Board of Education and the Superintendent of Schools for the Seaford Union Free School District are in receipt of the draft copy of your Report of Examination entitled, "Extra-Classroom Activities" for the period July 1, 2014 through March 31, 2016 and the recommendations contained therein. Please allow this letter to serve as the District's response to the audit report and corrective action plan (CAP).

We are thankful for the work of [REDACTED] for the thorough risk assessment that was completed and for the professionalism they demonstrated in dealing with members of the Seaford School District staff throughout the course of the audit.

We have reviewed the findings contained in the Draft Audit Report and have given significant consideration to the information contained therein. Upon reviewing this document, please be advised we agree and accept the findings, conclusions and recommendations made within this Report and have already implemented a corrective action plan.

The Board of Education and District Administration continually strive to implement the best practices and procedures to safeguard the financial integrity of the District on behalf of our students and taxpayers. The District would like to thank the Office of the State Comptroller for reviewing the District's operations and providing recommendations to improve our Extra-Classroom Fund processes. The state examiners onsite demonstrated courtesy, professionalism and respect, which was greatly appreciated.

Audit Recommendations:

The Board should ensure the adopted policies and procedures, including SED pamphlet requirements, are enforced by District officials involved in ECAs.

District officials should ensure that all receipts are deposited in a timely manner.

The central treasurer should ensure that the school store submits a quarterly profit and loss statement or other detail sufficient to support that all money collected is included in the deposit.

Implementation Plan:

The District will continue to provide all club advisors with the Extra-Classroom Activities Faculty Advisor's Handbook on an annual basis to ensure they are aware of the policies and procedures. The Assistant Superintendent and the central treasurer met with the advisor of the school store in August 2016. Beginning with school year 2016-17 the school store advisor will now ensure that all monies collected are deposited into the related bank account on a weekly basis. No funds will be retained to pay for ECA expenditures. The school store advisor will now submit a quarterly profit and loss statement to the central treasurer.

Implementation Date:

September 2016

Person Responsible for Implementation:

The Assistant Superintendent for Business, Elisa Pellati, and the central treasurer, Cristina Spinelli.

Sincerely,

Brian L. Conboy
Superintendent of Schools

cc: Board of Education Members
Elisa Pellati, Assistant Superintendent for Business
Carmen Ouellette, District Clerk

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District staff and reviewed SED guidelines and District policies to gain an understanding of the ECA cash receipts process.
- We identified the five clubs with the highest dollar amount of receipts and examined 20 deposits made by these clubs during the audit period. We traced these receipts to the cash receipts, ledgers, supporting documentation and bank statements to determine whether the receipts were recorded accurately and deposited intact and in a timely manner.
- We traced all nine 2015-16 school store deposits to the cash receipts, ledgers, supporting documentation and bank statements to determine whether the receipts were recorded accurately and deposited intact and in a timely manner.
- We reviewed each merchandise receipt for each purchase made for goods to be sold at the school store to determine whether the purchases were appropriate.

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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