

North Colonie Central School District

Extra-Classroom Activity Funds

SEPTEMBER 2019



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

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Report Highlights

North Colonie Central School District

Audit Objective

Determine whether the central and student treasurers properly accounted for extra-classroom activity (ECA) fund collections and disbursements.

Key Findings

- Student treasurers did not maintain adequate accounting records.
- ECA clubs did not always have adequate supporting documentation for collections, including 23 of 48 deposits totaling \$45,518.

Key Recommendations

- Ensure all ECA collections are supported by appropriate documentation.
- Ensure all ECA clubs maintain adequate accounting records.

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

Background

The North Colonie Central School District is located in the Town of Colonie, in Albany County.

ECA funds are operated by and for the students. Students raise and spend funds to promote the general welfare, education and morale of all students and finance extracurricular activities.

The elected nine-member Board of Education (Board) has overall responsibility for the District's financial and educational affairs, including ECAs. The Superintendent of schools is responsible for recommending to the Board the staff necessary to fulfill duties related to ECAs, including the central treasurer and faculty advisors.

Quick Facts

Student Enrollment	5,800
2018-19 Appropriations	\$111.1 million
ECA Club Receipts for the Audit Period	\$1,106,091
ECA Club Disbursements for the Audit Period	\$1,061,410

Audit Period

July 1, 2017 – February 28, 2019

Extra-Classroom Activities

Extra-classroom activity (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 ECA for the student body. Money is usually collected by students from a number of sources (e.g., admissions, membership dues, sales and campaigns, and donations) and is spent as they see fit within established regulations.

The New York State Commissioner of Education's Regulations¹ require the Board to appoint a central treasurer who is responsible for maintaining records of activity fund collections and disbursements. The regulations recommend districts adopt policies and procedures to safeguard ECA funds and to provide students with the opportunity to learn good business procedures through participation in handling such funds and operating a successful business.

The Board adopted policies and the District developed procedures to provide guidance for ECA operations. The procedures require a Board-appointed faculty advisor and a club-elected student treasurer for each ECA. The procedures also require a central treasurer be appointed for each school building; the central treasurer is responsible for maintaining custody of ECA funds, depositing ECA collections and disbursing ECA funds.

How Should ECA Clubs Account for Collections and Disbursements?

Students are responsible for collecting money² and remitting the collected funds to the student treasurer. Student treasurers are responsible for accounting for the collections and remitting them to the central treasurer timely and intact (i.e., in the same form and amount as collected). Collections should be supported by pre-numbered receipts, order slips, permission slips or some other method to adequately document the source, date, amount and purpose of the collections. Before remitting collections to the central treasurer, the student treasurers are required by the District's ECA policy to complete a student activity deposit form (deposit form) in duplicate, indicating the composition, date, source and amount of the collections. The District's policy also requires the faculty advisors to review and sign the deposit forms prior to submitting them to the central treasurer.

Prior to making disbursements, student treasurers should prepare in duplicate a payment disbursing form which includes the vendor name, dollar amount, the ECA club name and the reason for the proposed disbursement. The faculty advisor should review and sign the disbursing form prior to it being presented to the central treasurer. The payment disbursement form should have an audited invoice attached. If an invoice is not available, the central treasurer should be

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

2 Collection sources include admissions to events, membership dues, sales and campaigns, and donations.

provided another form of supporting documentation (i.e., club minutes, email confirmations, student lists) for the disbursement. Student treasurers are also responsible for recording collections and disbursements in an accounting ledger, indicating the date and amount collected or paid out.

ECA Clubs Did Not Maintain Adequate Documentation for Collections

We selected 48 collections totaling \$86,025³ that were reported to the central treasurer by 10 ECA clubs to determine whether collections were properly accounted for, adequately supported, and remitted to the central treasurer intact and in a timely manner. We determined 22 of these collections totaling \$39,818 contained adequate supporting documentation and were remitted to the central treasurer intact and in a timely manner.

However, 23 collections totaling \$45,518 did not contain adequate source documentation to determine whether they were submitted to the central treasurer intact and in a timely manner. For example, collections for four exams, totaling \$2,862, were not supported by the list of payers and the dates of collection were not recorded. Therefore, District officials could not support whether collections were remitted in a timely manner. Based on available supporting documentation, two collections totaling \$609 were not deposited in a timely manner. One check was deposited 69 days after the check date and a second collection was deposited 16 days after the fundraising event. An \$80 collection from a bake sale was not deposited at all. The collection was identified as being used to purchase items within the disbursement documentation for the club event.

District officials did not provide us with student ledgers, and the advisors for the 10 ECA clubs we reviewed collections for told us they did not maintain ledgers on a regular basis.

When ECA clubs do not maintain adequate supporting documentation for collections, District officials are unable to ensure the students, and faculty assisting the students, are properly accounting for all collections or remitting them to the central treasurer intact and in a timely manner.

ECA Club Disbursements Were Generally Supported, But Were Not Accounted For in the Ledgers

We reviewed 60 disbursements totaling \$154,404 from 10 ECA clubs to determine whether they were supported by approved disbursing order forms, contained adequate supporting documentation, and were properly accounted for.

³ These activities included, but were not limited to, admissions, yearbook sales, field trips and collections for foreign language proficiency tests.

We were able to trace each disbursement from the central treasurer's records to a completed and approved disbursing order form. With the exception of four World of Difference club donations totaling \$1,000 and one Spanish club donation for \$338, all disbursements had appropriate supporting documentation. However, as previously noted, none of the ECA clubs were maintaining ledgers on a regular basis. Without adequate supporting documentation and adequately maintained account ledgers, District officials have less assurance that disbursements were for appropriate purposes.

How Should the Central Treasurer Account For Collections and Disbursements?

When the central treasurer receives collections from the student treasurer, he/she should also obtain adequate documentation to support the collections and issue a duplicate press-numbered receipt to the student treasurer to document the transfer of money.

In addition, the central treasurer should disburse money for activities only upon receiving a payment disbursing form signed by a student treasurer and advisor with adequate supporting documentation. Every disbursement should have documentation, such as itemized receipts or invoices, to support the approved payments and allow the central treasurer to verify that they are for appropriate purposes. The central treasurer should record all disbursements in their accounting records.

The Central Treasurer Properly Accounted For Collections and Disbursements

Collections – We reviewed the central treasurer's records for the 48 remittances discussed previously. We found the central treasurer properly accounted for the collections in the treasurer's ledger and provided duplicate receipts to the clubs for all of the remittances.

Disbursements – We reviewed the 60 disbursements used for our review of the student treasurers' records and found that the disbursements were properly approved, recorded and generally supported in the central treasurer's ledger.

What Do We Recommend?

District officials should:

1. Ensure student treasurers and advisors maintain adequate supporting documentation for all collections received by the ECA clubs.
2. Ensure student treasurers maintain adequate ledgers to account for the ECA clubs' financial activity.

Appendix A: Response From District Officials

North Colonie Central Schools
Shaker High School
445 Watervliet-Shaker Road
Latham, New York 12110-4697

September 9, 2019

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
Division of Local Government & School Accountability
Glens Falls Regional Office
One Broad Street Plaza
Glens Falls, New York 12801-4396

Dear Chief Examiner Leonard:

We are in receipt of the audit of Extra-Classroom Activity Funds and we are in agreement with the findings of the audit. Please accept this letter as both our response to the audit and the corrective action plan.

Recommendation #1: Ensure student treasurers and advisors maintain adequate supporting documentation for all collections received by the ECA clubs.

Corrective Action Plan: Student treasurers will receive specific instruction and guidance during the annual training regarding the requirement and importance of providing appropriate supporting documentation for all club receipts. Faculty advisors will receive the same through written instruction and guidance. The training will be provided by the extra-classroom activity auditor in October 2019 and as needed throughout the year for any new student treasurers or faculty advisors. Periodic audits will be performed by the extra-classroom activity auditor to ensure compliance.

Recommendation #2: Ensure student treasurers maintain adequate ledgers to account for the ECA clubs' financial activities.

Corrective Action Plan: Student treasurers will receive specific instruction and guidance during the annual training regarding the maintenance of ledgers for documenting club activities. Faculty advisors will receive the same through written instruction and guidance. The training will be provided by the extra-classroom activity auditor in October 2019 and as needed throughout the year for any new student treasurers or faculty advisors. Periodic audits will be performed by the extra-classroom activity auditor to ensure compliance.

The District appreciates the professionalism of the audit team and the courtesy shown to our staff during the audit. We appreciate the valuable input over internal controls related to the operation of the Extra-Classroom Activity Funds. Please let us know if you should need any additional information.

Sincerely,

D. Joseph Corr
Superintendent of Schools

cc: Scott Hoot, Assistant Superintendent for Business
Members of the Board of Education

OFFICE OF THE ASSISTANT SUPERINTENDENT

(518) 785-5511
Fax (518) 785-0156

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and employees and reviewed policies and financial records and reports to gain an understanding of the internal controls over ECA collections and disbursements.
- Using our professional judgment, we selected 10 of the 89 active clubs listed on the 2018-19 roster and selected a minimum of three months of activities of collections. We used our professional judgement to select a sample of 48 collection activities totaling \$86,025 to identify collections at greater risk for misappropriation or loss, such as collections with a significant monetary value and payments received over an extended period of time or consisting of several components.
- Using our professional judgment, we selected a sample of 60 disbursements totaling \$154,404, based on risk factors such as significant disbursements to vendors and reimbursements to faculty advisors. We reviewed these disbursements to determine whether they were properly authorized, had adequate supporting documentation and were properly recorded in the Treasurer's records and ledgers.

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

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg

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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