

Queensbury Union Free School District

Extra-Classroom Activities

JANUARY 2018



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

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Report Highlights

Queensbury Union Free School District

Audit Objective

Determine whether extra-classroom activity clubs (ECA clubs) and the central treasurer properly accounted for extra-classroom collections and disbursements.

Key Findings

- The student treasurers and faculty advisors of five ECA clubs did not maintain adequate supporting documentation for 28 remittances totaling \$36,079.
- District officials are unable to ensure that students are adequately accounting for and remitting collections to the central treasurer in a timely manner. We reviewed collections totaling \$69,110 for 10 ECA clubs. For two clubs, eight collections for prom tickets totaling \$360 and three collections for yearbook sales totaling \$165 were not remitted to the central treasurer.
- The student treasurers of 10 ECA clubs maintained adequate documentation for 78 disbursements totaling \$95,765. These disbursements were for appropriate purposes and accurately accounted.
- The central treasurer properly accounted for 54 collections totaling \$69,110 and 78 disbursements totaling \$95,765.

Key Recommendations

- Ensure student treasurers and advisors maintain adequate supporting documentation for collections.
- Ensure student treasurers and advisors properly account for all ECA collections and appoint a faculty auditor to oversee management of ECA funds and records.

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

Background

The Queensbury Union Free School District (District) is located in the Town of Queensbury and the City of Glens Falls in Warren County.

The District is governed by an elected nine-member Board of Education (Board), which is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the chief executive officer responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Board appoints a central treasurer to oversee and account for extra-classroom activities (ECA).

Quick Facts

| | |
|---------------------------|----------------|
| 2016-17 Appropriations | \$59.2 Million |
| Active ECA Clubs | 39 |
| 2015-16 ECA Collections | \$227,781 |
| 2015-16 ECA Disbursements | \$224,614 |

Audit Period

July 1, 2015 – March 31, 2017

Extra-Classroom Activities

ECA funds are those administered by and for the students' benefit. Students raise and spend these funds to promote the general welfare, education and morale of all students and finance normal and appropriate student body extra-classroom activities. Money is usually collected by students from a number of sources (e.g., admissions, membership dues, sales, etc.) and spent as students see fit within established regulations.

The Regulations of the Commissioner of Education (Regulations)¹ of the New York State Education Department require the Board to appoint a central treasurer who is responsible for maintaining records of activity fund receipts and disbursements. Each ECA club must have a student treasurer and faculty advisor (advisor). Student treasurers, with the assistance of advisors, are responsible for maintaining independent accounting records of collections and disbursements.

The Regulations were formulated 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. To provide additional oversight of ECA operations, the Board may appoint a faculty auditor who is responsible for reviewing ECA financial records to determine if adequate procedures are being used to account for ECA funds.

How Should ECA Clubs Account for Collections and Disbursements?

Students are responsible for collecting money at fundraisers and other events and remitting the collections to the student treasurer. Student treasurers are responsible for accounting for the collections and remitting them to the central treasurer for deposit.

When collecting money, students should issue duplicate press-numbered receipts or use some other method to adequately document the source, date, amount and purpose for the collections, such as a daily sales report. Before remitting collections to the central treasurer, the student treasurers, with the help of advisors, are required to complete student deposit forms indicating the composition, source, date and amount. Copies of these records should be retained along with all other documentation supporting the collections.

¹ The Regulations provide additional guidance on how school districts should set up, account for and manage ECA clubs in the publication entitled: The Safeguarding, Accounting, and Auditing of Extra-classroom Activity Funds (Finance Pamphlet 2), available at http://www.p12.nysed.gov/mgtserv/accounting/extra_classroom_activities_fund.html

When making disbursements, student treasurers and advisors should complete and sign a payment disbursing form which includes the vendor names, dollar amount, ECA club name and reason for disbursement. If an advisor is reimbursed for making a purchase for the club, the disbursing form should also be approved by the building principal. The student treasurer and advisor must then submit the disbursing form and supporting itemized receipts or invoices to the central treasurer for payment and retain copies of these records along with all other documentation supporting the disbursements. Student treasurers are also responsible for recording the 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 reviewed one collection activity (e.g., concession sales, ticket sales, etc.) for each of 10 ECA clubs² with all available collection documentation and 54 remittances to the central treasurer totaling \$69,110. All these collections were accurately accounted for in the student treasurers' ledgers and supported by deposit forms, which generally included the activity fund name, type and date of the activity and the composition and total of the collections remitted for deposit.

However, for five collection activities (for which 28 remittances totaling \$36,079 were made to the central treasurer), the student treasurers and advisors did not maintain duplicate press-numbered receipts or daily sales reports. Student treasurers and advisors also did not maintain documentation for free items given away (e.g., t-shirts, tickets, etc.).³ For example, for the 2016-17 high school musical club \$21,560 was deposited from ticket sales. However, the student treasurer and advisor did not keep a record of the number of tickets sold at the three performances.

The musical club advisor told us that 118 free tickets (of the 2,448 tickets available for sale) were given away, but the number of free tickets and individuals who received them were not documented in the club minutes or in any other club record. Because of insufficient recordkeeping, we determined the number of seats available for sale⁴ and that \$23,300 should have been collected if all the tickets were sold, which was \$1,740 more than the amount remitted and deposited.

2 See Appendix B for information on our sampling methodology.

3 Although it is permissible to give away free items, the ECA club should include the authorization to do so in its meeting minutes and maintain a detailed record of the items given away.

4 We calculated the number of seats available using the auditorium seating chart and subtracted the 118 tickets the advisor told us were given away for free to identify the total number of tickets available for sale.

The advisor told us that the performances were sold out at least one night, but was unable to provide us with the number of tickets sold the other two nights. Because of the club's insufficient recordkeeping for ticket sale collections, District officials are unable to ensure that students are adequately accounting for all musical ticket sales or remitting them to the central treasurer and there is an increased risk that errors could occur and not be detected or corrected in a timely manner.

While two ECA clubs' student treasurers maintained adequate records to document collections, those records did not agree with the amounts remitted to the central treasurer for deposit. We found the following discrepancies between the records and remittances:

- The class of 2018 club remitted \$16,010 to the central treasurer for deposit from the sale of tickets to its junior prom. The student treasurer and advisor documented prom tickets sold by ticket number and student name, indicated the amount the ticket was sold for and whether the ticket was purchased by cash or check. We compared this documentation to the deposit forms and found eight tickets sales totaling \$360 were not remitted and deposited.

The advisor told us that several teachers unaffiliated with the club helped with the ticket sales. She also told us that while she believes the teachers assisting her turned over all the money they collected, it is possible that students erroneously received prom tickets that they did not pay for.

- The 2017 yearbook club remitted \$6,330 to the central treasurer for deposit from yearbook sales and advertisements as of March 31, 2017. The club advisor generally issued receipts for collections and maintained a record of all yearbook sales.

We identified three yearbook sales totaling \$165 that were recorded and receipted but not remitted for deposit. The club advisor was unable to provide us with an explanation for why money from those sales were not remitted and deposited. She told us that in some instances, she allowed students to collect money and could not personally account for the amount students collected.

We also identified seven yearbook sales totaling \$400, which were recorded as duplicate sales in the advisor's records that were not receipted or deposited. The advisor told us these sales were recorded twice in error and the students did not pay for or receive two yearbooks. However the payment dates and amounts differed from the amount recorded.

For example, according to the club advisor's records, one student purchased a yearbook on December 20, 2016 and paid by check, which was deposited in the bank on December 27, 2016. This student was also shown in the records as purchasing a yearbook on November 21, 2016. However, no payment was deposited for this purchase.

As a result, District officials are unable to ensure that students are adequately accounting for all yearbook sales or remitting them to the central treasurer and there is an increased risk that errors could occur and not be detected or corrected in a timely manner.

These discrepancies occurred because of poor recordkeeping and were not identified by the central treasurer because the deposit forms these ECA clubs provided did not identify money that was collected and not included in the remittances. Additionally, had the Board appointed a faculty auditor to review the ECA clubs records, these discrepancies may have been easily identified, investigated and resolved in a timely manner.

When ECA clubs do not maintain adequate documentation to support collections, District officials cannot ensure students, and faculty assisting the students, are adequately accounting for all collections and remitting them to the central treasurer.

ECA Clubs Adequately Accounted for Disbursements

We reviewed 78 disbursements totaling \$95,765 made from 10 ECA clubs' accounts during our audit period and found the student treasurers maintained adequate documentation to support disbursements. These disbursements were for appropriate purposes and were accurately accounted for in ECAs' ledgers.

How Should the Central Treasurer Account for Collections and Disbursements?

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

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

The Central Treasurer Properly Accounted for Collections and Disbursements

Collections – We reviewed the central treasurer’s records for the same 10 collection activities discussed previously. We found that all 54 remittances were adequately supported, accurately accounted for in the central treasurer’s ledger and receipts were issued to the student treasurers.

Disbursements – We reviewed the 78 disbursements used for our review of student treasurer records and found the central treasurer obtained and maintained adequate documentation to support disbursements, these disbursements were for appropriate purposes and accurately accounted for in the accounting ledger.

What Do We Recommend?

The Board and District officials should:

1. Ensure student treasurers and advisors properly account for all ECA club collections and issue press-numbered receipts or maintain some other record to provide adequate supporting documentation for the collections.
2. Require the ECA clubs to keep a record of items given away for free and include in the clubs’ meeting minutes the authorization for providing free items.
3. Appoint a faculty auditor to oversee the management of ECA funds and records.

Appendix A: Response From District Officials

Queensbury
Union Free School District



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Director of Human Resources

January 9, 2018

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

Dear Sir or Madam:

The following is management's response to the recent New York State Comptroller's audit of the Queensbury Union Free School District's Extra-Classroom Activities Fund:

The school district would first like to thank the staff of the NYS Comptroller's office for their professionalism during the course of the audit. QUFSD considers the NYS Comptroller an important partner in regards to fiscal oversight. The NYS Comptroller plays a critical role in helping strengthen internal controls intended to safeguard taxpayer monies.

QUFSD places the highest priority on internal controls and protecting the school district's financial resources. The selection by the NYS Comptroller of the Extra-Classroom Activity Fund for testing is a positive reflection on the internal controls throughout the other financial operations of the school district. QUFSD has an approximately \$62.8 million budget. The Extra-Classroom Activity Fund represents 0.41% of the school district's budget. QUFSD was pleased that the NYS Comptroller's report also expressed approval on the disbursement process for the Extra-Classroom Activity Fund.

In all school districts, the receipt process related to student-run clubs is an area that has inherently high risk. The clubs have frequent turnover of both students and faculty advisors. The majority of club receipts are from the collection of cash, and that collection of cash has an inherently high risk.

The school district agrees with the recommendations in the NYS Comptroller's report related to the receipt process for the clubs. The school district has already acted on the recommendation to appoint a faculty auditor. The role filled by the school treasurer will support clubs in ensuring documentation is sufficient. The school is also implementing additional professional development to ensure staff understand the recordkeeping requirements. Accountability will be increased for the teachers, principals, and district office staff.

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QUFSD views this audit as an opportunity to improve both financial processes and internal controls. We appreciate the NYS Comptroller's valuable input related to the monies collected by student clubs. We feel the combination of faculty auditor, professional development, and increased accountability will result in a better financial system going forward.

Sincerely,

Scott Whittemore
Assistant Superintendent for Business

SW:la

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, we performed the following audit procedures:

- We interviewed District officials and employees and reviewed District policies and financial records and reports related to ECA operations to gain an understanding of the internal controls over ECA funds and any associated effects of deficiencies in those controls.
- We judgmentally selected 10 of the 39 clubs based on the type of activities (fundraiser/event/sale). We then selected one activity from each club to test collections and disbursements.
- For each activity selected, we reviewed all available collection documentation and associated remittances to determine whether the central treasurer received and maintained deposit forms for collections and accurately accounted for them.
- We reviewed our sample of collection activities to determine whether the ECA clubs issued and maintained receipts or some other form of documentation for collections, accurately accounted for them in a ledger and remitted them to the central treasurer. Whenever ECA club records were inadequate, if possible, we performed additional testing to determine whether all collections were remitted to the central treasurer.
- We reviewed 78 disbursements totaling \$95,765 made from 10 club accounts during our audit period to determine whether they were supported by approved payment forms and itemized receipts or invoices, as applicable in both the ECA clubs and central treasurer's records and were for appropriate club activities.

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

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

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/lgli/pdf/cybersecurityguide.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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Corrective Action Plan

Unit Name: Queensbury Union Free School District

Audit Report Title: Extra-classroom Activities

Audit Report Number: 2017M-164

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed.

Audit Recommendation:

Ensure student treasurers and advisors properly account for all ECA club collections and issue press-numbered receipts or maintain some other record to provide adequate supporting documentation for the collections.

Implementation Plan of Action:

QUFSD is issuing press-numbered receipts for all activities where applicable. QUFSD is working with clubs to ensure record keeping is sufficient with NYS state standards in all situations.

Additional training is being provided by the Assistant Superintendent for Business to both advisors and principals to ensure documentation is sufficient. The principals, in coordination with the business office will provide additional oversight of the receipt process for the extra-classroom activity fund. The principals will be meeting with advisors before the start of fundraising activities.

The Assistant Superintendent for Business and the instructional leadership have created an extra-classroom activity fund handbook. This handbook will help new advisors, students, and principals understand the internal control requirements related to the extra-classroom activity fund.

Audit Recommendation

Require the ECA clubs to keep a record of items given away for free and include in the clubs' meeting minutes the authorization for providing free items.

Implementation Plan of Action:

The professional development being provided to staff by the building principals includes the requirement that clubs keep minutes. The professional development will cover the requirement that club minutes need to authorize items to be given away for free.

Audit Recommendation

Appoint a faculty auditor to oversee the management of ECA funds and records.

Implementation Plan of Action

QUFSD has appointed the school district's longtime employee and Treasurer as the Faculty Auditor. The Treasurer has significant experience in auditing and accounting requirements. This appointment occurred prior to the finalization of the Comptroller's audit. The Faculty Auditor has already been working with advisors on best practices.