

**INTERNAL AUDIT REPORT ON
EXTRACURRICULAR ACTIVITY FUND
COLD SPRING HARBOR CENTRAL
SCHOOL DISTRICT**

Cold Spring Harbor Central School District
Internal Audit Report on Extraclassroom Activity Funds

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Board of Education
Cold Spring Harbor Central School District
75 Goose Hill Road
Cold Spring Harbor, NY 11724

We have performed the procedures enumerated below, which were agreed to by the Cold Spring Harbor Central School District (the "District"), solely to assist the District with the effectiveness of internal controls related to extraclassroom activity fund procedures during the period July 1, 2009 through November 30, 2009. The District is responsible for the effectiveness of internal controls related to extraclassroom activity fund procedures. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

In connection with the following procedures, we have provided findings and recommendations for the extraclassroom activity fund procedures. Our procedures were as follows:

- Reviewed the District's policies, procedures and practices with regards to the extraclassroom activity fund.
- Reviewed *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds – Finance Pamphlet 2* to verify through testing that the District was following appropriate procedures and guidelines.
- Interviewed the central treasurer and several faculty club advisors at two District locations to gain an understanding of procedures regarding cash receipts and cash disbursements.
- Tested a sample of extraclassroom cash receipts for proper support, authorization and student involvement by tracing to receipts, properly completed and approved deposit tickets, and other supporting documentation.
- Tested a sample of extraclassroom cash disbursements for proper support, authorization and student involvement by tracing to receipts and/or invoices and properly completed and approved payment orders, and other supporting documentation.
- Issued a final report of our evaluation of the District's extraclassroom activity fund.

The results of our procedures are presented on the following pages.

We were not engaged to, and did not conduct an audit, the objective which would be the expression of an opinion on the extraclassroom activity fund procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are available to discuss this report with the Board of Education or others within the District at your convenience.

This report is intended solely for the information and use of the Board of Education, the Audit Committee and the Management of the Cold Spring Harbor Central School District and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
December 1, 2009

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EXECUTIVE SUMMARY

Introduction

The Cold Spring Harbor Central School District Board of Education has engaged R.S. Abrams & Co. LLP, to provide internal audit services with respect to the District's policies, procedures and internal controls for the extraclassroom activity fund. As part of this engagement, we have performed extensive analysis and validation tests of the District's extraclassroom activity fund.

Objectives and Scope

The objectives of the engagement were to evaluate and report on the District's internal control system for the extraclassroom activity fund and to test for compliance with the District's Board policies and procedures for the extraclassroom activity fund. To that end, the steps that we followed to achieve these objectives included the following:

1. Reviewed the District's policies, procedures and practices with regards to the extraclassroom activity fund.
2. Reviewed *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds – Finance Pamphlet 2* to verify through testing that the District was following appropriate procedures and guidelines.
3. Interviewed the central treasurer and several faculty club advisors at the Cold Spring Harbor Junior/Senior High School to gain an understanding of procedures regarding cash receipts and cash disbursements.
4. Tested a sample of extraclassroom cash receipts for proper support, authorization and student involvement by tracing to receipts, properly completed and approved deposit tickets and other supporting documentation.
5. Tested a sample of extraclassroom cash disbursements for proper support, authorization and student involvement by tracing to receipts and/or invoices and properly completed and approved payment orders and other supporting documentation.
6. Issued a final report of our evaluation of the District's extraclassroom activity fund.

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EXTRACLASSROOM ACTIVITY FUND

The purpose of the extraclassroom activity fund is to provide students learning experiences in the business procedures that are needed to properly safeguard the collection, deposit and disbursement of money in addition to the filing of sales tax revenues. The extraclassroom activity funds are those that are operated by and for the students. The New York State Education Department has published a pamphlet of guidelines detailing the proper procedures and policies governing the extraclassroom activity accounts and transactions entitled *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds – Finance Pamphlet 2*.

In addition to providing rules, principles and guidance on proper procedures, *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds* pamphlet provides examples of various accounting records/forms that should be used in connection with the receipt and disbursement of funds in the extraclassroom activity accounts. Also included in the pamphlet is a sales tax guide that lists numerous items that are subject to the collection or payment of New York State sales tax.

The District has adopted policy #5252, *Student Activities Funds Management* and #5252-R, *Student Activities Funds Management Regulation*. The policy describes the purpose and organizational procedures of the extraclassroom activity accounts, the approval of extraclassroom activities, procedures for leftover funds and procedures in managing funds. In addition, the District has *Extraclassroom Activities Funds Guidelines*, which has been reviewed by the Board of Education. The guidelines describe the procedures that should be followed when collecting and disbursing funds, inventory control, how to operate a school store and the function and duties of officers including, but not limited to, the central treasurer, faculty advisor and activity treasurer.

Each club has a constitution which outlines the objectives of the club, membership requirements, and duties of the various officers. Annually, the central treasurer sends a *Yearly Update of Officers* memo to each faculty club advisor to complete. The faculty club advisor lists the names of each officer on the memo and returns it to the central treasurer.

On a monthly basis, the central treasurer provides a copy of the bank reconciliation and bank statement to the School Finance Manager in the business office for review. The monthly bank reconciliation and bank statement is forwarded to the Board for review. On a quarterly basis, the central treasurer provides a *Comparative Account Balance* report for each club, a balance sheet which details the checking account and money market account balances for each club and a copy of the bank statement for the last month of the quarter to the School Finance Manager which is then provided to the Board. Additionally, at the end of the school year, the central treasurer provides a *Comparative Account Balance Closing Report*, which is an annual summary of receipts and disbursements for each club, and a balance sheet to the School Finance Manager.

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COLD SPRING HARBOR JUNIOR/SENIOR HIGH SCHOOL

Based on total dollar transactions during the 2008/2009 school year, we selected to interview nine club faculty advisors and the extraclassroom central treasurer to obtain an understanding of the procedures and processes relating to cash receipts and cash disbursements. Based upon our interviews and observations, we noted the procedures for the extraclassroom activity funds in the Cold Spring Harbor Junior/Senior High School to be as follows for the nine selected activities.

I. Class of 2010

The class of 2010 is involved in collecting money for various fundraisers such as bake sales, pizza sales, dances and sporting events. Additionally, the class of 2010 collects money for the Senior Banquet. For the bake and pizza sales, cash collected by the students is placed into a locked cash box. For the dances, students sell tickets during the lunch periods and place the cash into a locked cash box. Students must submit a signed permission slip in order to purchase a ticket. Tickets are also sold for the sporting events however a list of students who purchased tickets is not maintained. For the Senior Banquet, cash or checks are accepted as a form of payment. Utilizing a class roster, the student's name is checked off to indicate that the student has paid to attend the banquet.

At the end of each day of collection, the students provide the cash box to one of the faculty club advisors who completes a blue *Deposit Form* noting the club and total cash and/or checks that were received. The *Deposit Form* is signed by the faculty club advisor and activity treasurer, placed into an envelope along with the cash and/or checks then placed into the drop safe in the main office for further processing by the central treasurer.

The main disbursements made out of the class of 2010 relate to the costs incurred with the Senior Banquet such as the rental of the banquet hall, disc jockey and decorations. When a disbursement needs to be made, the class of 2010 holds a meeting to vote on approving the payment, which is to be documented in the club minutes. Once the payment is approved, the faculty club advisor completes a *Payment Order* form noting the payee, club and amount to be paid and is signed by the faculty club advisor, activity treasurer and building principal. The *Payment Order* form is placed in the central treasurer's mailbox in the main office with the invoice and the club minutes authorizing the disbursement for further processing.

II. Class of 2011

The class of 2011 is involved in collecting money for the homecoming dance, junior prom and the sale of review books. For the homecoming dance, tickets are sold by the junior class officers beginning one week prior to the dance during the lunch periods. The sale of the tickets is to end on the day before the dance. Each officer is provided an envelope of fifteen tickets at a time to sell. The cash collected by the officers is placed into the envelope then provided to the faculty club advisor who immediately counts the cash to ensure accuracy. The envelope is then placed into a locked drawer in the faculty club advisor's office. At the end of the day, the envelopes are placed into the drop safe in the main office with a note indicating that the envelopes are for the

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junior class and still needs to be properly counted. The tickets, which act as a permission slip and needs to be signed by the student and parent, are submitted when entering the dance and the student's name is checked off on the class roster for attendance purposes. After the dance has taken place, the faculty club advisor and class officers obtain the envelopes from the central treasurer to properly count the cash collected.

For the junior prom, pre-numbered tickets are sold beginning one week prior to the prom during lunch periods. Cash or check is accepted as a form of payment for the tickets. The student's name is checked off on the class roster indicating that the student purchased a ticket. The class roster will be used when the students enter the dance.

For the review books, the faculty club advisor sends an email and the review book order form to the various teachers. The teachers are to complete the order form and indicate how many review books need to be ordered. The completed order forms are submitted to the faculty club advisor who will then make inquiries on how much the review books will cost. The faculty club advisor notifies the teachers on how much each review book will cost. The teachers collect the money and maintain a list of the students who paid for a review book. Cash or check is accepted as a form of payment for the review books. The money collected is then provided to the faculty club advisor who will then place the order with the vendor.

When a deposit is ready to be made, the faculty club advisors completes a blue *Deposit Form* noting the club and total cash and/or checks that were received. The *Deposit Form* is signed by the faculty club advisor and activity treasurer, placed into an envelope along with the cash and/or checks then placed into the drop safe in the main office for further processing by the central treasurer.

The main disbursements made out of the class of 2011 relate to the costs incurred with the dances and review books. Additionally, the class of 2011 donates twenty percent of the cash collected for ticket sales from the homecoming dance to a charity of their choice. When a disbursement needs to be made, the class of 2010 holds a meeting to vote on approving the payment, which is to be documented in the club minutes. Once the payment is approved, the faculty club advisor completes a *Payment Order* form noting the payee, club and amount to be paid and is signed by the faculty club advisor, activity treasurer and building principal. The *Payment Order* form is placed in the central treasurer's mailbox in the main office with the invoice and the club minutes authorizing the disbursement for further processing.

III. High School and Junior High School Musical

The High School musical is performed in the fall and the Junior High School musical is performed in the spring. The cost of the tickets for the musicals is \$10 with cash or check accepted as a form of payment for the tickets. Up to two complimentary tickets can be issued to staff members and the chaperones. Vendors who are hired to work during the show, such as the cameraman or musician, can be issued one complimentary ticket to bring a guest. Pre-numbered reserved tickets are sold at the rehearsals and during lunch periods. The business manager is in

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charge of selling the tickets during the rehearsals. Students sell the reserved tickets during the lunch periods. Money collected is placed into an envelope and then provided to the faculty club advisor to process for deposit. Several general admission tickets, which are not pre-numbered, are provided to the librarian in the Cold Spring Harbor public library to sell. The business manager will gather the money collected by the librarian and provide it to the faculty club advisor to process for deposit.

On the night of the performance, a chaperone will collect general admission ticket sales at the door and place the money into a locked cash box. The cash box is provided to the faculty club advisor approximately thirty minutes after the show begins. Once the performance is over, the faculty club advisor processes the money for deposit.

In addition to the revenues generated from ticket sales, the musical also sells advertisement space within the playbill. Only checks are accepted as payment for advertisement space. The checks that are collected for the advertisement space are provided directly to the business manager who will provide them to the faculty club advisor for deposit when the playbill needs to be ordered.

When a deposit is ready to be made, the faculty club advisor completes a blue *Deposit Form* noting the club and total cash and/or checks that were received. The *Deposit Form* is signed by the faculty club advisor and activity treasurer, placed into an envelope along with the cash and/or checks then placed into the drop safe in the main office for further processing by the central treasurer.

The main disbursements made out of the musical club relate to the expenses incurred for the performances. Additionally, the musical club purchases t-shirts for the cast and crew. When a disbursement needs to be made, the musical club holds a meeting to vote on approving the payment, which is to be documented in the club minutes. Once the payment is approved, the faculty club advisor completes a *Payment Order* form noting the payee, club and amount to be paid and is signed by the faculty club advisor, activity treasurer and building principal. The *Payment Order* form is placed in the central treasurer's mailbox in the main office with the invoice and the club minutes authorizing the disbursement for further processing.

IV. Locks of Love

The locks of love club is involved in many different fundraisers throughout the school year such as a fashion show, bake sales and apparel sales. Additionally, the club hosts a haircutting event at a specific location. The money raised will be donated to *Locks of Love*, which is a non-profit organization that provides hairpieces to financially disadvantaged children suffering from long term medical hair loss conditions.

For the fashion show, tickets are sold in advance and on the night of the show. For advance sales, students are provided a set number of tickets to sell at a time. Cash or check is accepted as a form of payment for the tickets. Checks must be paid to the order of *Locks of Love*. The money collected is provided to the faculty club advisor to be processed for deposit. Any checks

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received are sent directly to *Locks of Love* by the faculty club advisor. On the night of the fashion show, students place money collected from ticket sales into a cash box, which is provided to the faculty club advisor once the show begins to process for deposit.

For the apparel sales, the locks of love club purchases t-shirts in advance for resale. Sweatshirts can be ordered utilizing an order form which must be submitted to the faculty club advisor. Cash or check is accepted as payment for the apparel. Checks must be paid to the order of Cold Spring Harbor Schools. The money collected is placed into an envelope to be processed for deposit. Some of the surplus t-shirts are donated to certain individuals who will be involved in the haircutting event, such as the hairstylists.

The haircutting event is held in November of each school year. Prior to the event, students will get various people and vendors to sponsor them to cut their hair. Each student maintains a pledge sheet which lists the name of the sponsor and how much money they are pledging. After the event has taken place, the students will collect the money pledged from the sponsors. Cash or check is accepted as a form of payment. Checks are paid to the order of *Locks of Love*. The money collected and pledge sheet is provided to the faculty club advisor who places a check mark next to the sponsor's name indicating that they have submitted payment. The money received is placed in an envelope to process for deposit. The checks are placed in a safe in the faculty club advisor's office until they are sent directly to *Locks of Love*. The faculty club advisor sends a letter to each sponsor thanking them for their donation.

When the deposits are ready to be made, the faculty club advisor completes a blue *Deposit Form* noting the club and total cash and/or checks that were received. The *Deposit Form* is signed by the faculty club advisor and activity treasurer, placed into an envelope along with the cash and/or checks then placed into the drop safe in the main office for further processing by the central treasurer. The faculty club advisor makes a photocopy of the *Deposit Form* for her records.

The main disbursements made out of the locks of love club relate to the costs incurred with the apparel sales, fashion show and the donation of funds to *Locks of Love*. When a disbursement needs to be made, the locks of love club holds a meeting to vote on approving the payment, which is to be documented in the club minutes. Once the payment is approved, the faculty club advisor completes a *Payment Order* form noting the payee, club and amount to be paid and is signed by the faculty club advisor, activity treasurer and building principal. The *Payment Order* form is placed in the central treasurer's mailbox in the main office with the invoice and the club minutes authorizing the disbursement for further processing.

V. School Store

The school store consists of several locked cabinets located within the school cafeteria which is open in the mornings before school and during all periods throughout the day. Students can buy various school supplies, novelty items, t-shirts and notebooks. The faculty club advisor operates the school store in the morning and students staff the store during the day. The faculty club

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advisor maintains the key to open the cabinets and the cash box that is to be used. The cash box is maintained in a locked closet within the faculty club advisor's office.

Any time there is more than \$100 in the cash box, the faculty club advisor completes a blue *Deposit Form* noting the club and total cash and/or checks that were received. The *Deposit Form* is signed by the faculty club advisor and activity treasurer, placed into an envelope along with the cash and/or checks then placed into the drop safe in the main office for further processing by the central treasurer.

When a disbursement needs to be made, the student organization holds a meeting to vote on approving the payment, which is to be documented in the club minutes. Once the payment is approved, the faculty club advisor completes a *Payment Order* form noting the payee, club and amount to be paid and is signed by the faculty club advisor, activity treasurer and building principal. The *Payment Order* form is placed in the central treasurer's mailbox in the main office with the invoice and the club minutes authorizing the disbursement for further processing.

We were informed that due to low sales and lack of student involvement in staffing the school store, the student organization has approved the dissolution of the school store during the current school year. A formal inventory was performed which is to be sold and the funds collected are to be used to reduce the deficit June 30, 2009 cash balance. The student council will absorb any remaining deficit cash balance by June 30, 2010.

VI. Student Organization(Other)

The student organization coordinates various fundraising activities such as Dodgeball for Diabetes and Relay for Life in which the students perform a music show. Additionally, the student organization is involved in a dance that takes place in the spring. For the Dodgeball for Diabetes event, individuals complete and submit a sign-up form to a member of the student organization along with the entrance fee which will then be provided to the faculty club advisor. Cash or check is accepted as a form of payment. The money received is placed in a box in a locked closet within the faculty club advisor's office. When the teams are created by the faculty club advisor, the money collected is counted and processed for deposit.

For the music show, each student organization member is provided a specific number of tickets to sell at a time. Cash or check is accepted as a form of payment for the tickets. The money collected is placed in an envelope which is then provided to the faculty club advisor to process for deposit. Tickets are also sold on the night of the show. Money collected is placed into a cash box which is provided to the faculty club advisor who places the money into an envelope. The envelope is placed in the drop safe in the main office along with a note indicating that it is for the student organization and needs to be counted. The next day the faculty club advisor obtains the envelope from the central treasurer to process for deposit.

For the dance, tickets are sold by student organization members during the lunch periods. The members are given a specific number of tickets to sell each lunch period. The cash collected by

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the members is placed into a cash box which is then provided to the faculty club advisor to process for deposit.

When a deposit is ready to be made, the faculty club advisor completes a blue *Deposit Form* noting the club and total cash and/or checks that were received. The *Deposit Form* is signed by the faculty club advisor and activity treasurer, placed into an envelope along with the cash and/or checks then placed into the drop safe in the main office for further processing by the central treasurer.

The main disbursements made out of the student organization are for the expenses incurred for the dance and the donations related to the fundraisers that they are involved in. When a disbursement needs to be made, the student organization holds a meeting to vote on approving the payment which is to be documented in the club minutes. Once the payment is approved, the faculty club advisor completes a *Payment Order* form noting the payee, club and amount to be paid and is signed by the faculty club advisor and activity treasurer. The *Payment Order* form is placed in the central treasurer's mailbox in the main office with the invoice and the club minutes authorizing the disbursement for further processing.

VII. Speech and Debate Club

The speech and debate club competes in formal speech and debate tournaments throughout the state and at the national level against other schools. There are approximately twenty-two tournaments that the club competes in during the year. Throughout the year, parents will donate money to the club to cover the various expenses of the tournaments. Cash or check is accepted as form of payment. Any cash that is received is placed into an envelope then into the drop safe in the main office with a note to hold for the speech and debate club. The checks that are received are maintained in the faculty club advisor's briefcase until the end of the week.

When the District hosts a tournament, the speech and debate club will sell food that has been catered by the District's school lunch program. As part of the league obligation of the hosting district, meals and drinks are provided to the parent judges and coaches free of charge. Additionally, the District provides meals and drinks to the chaperones and student volunteers at no charge. Two student volunteers collect the cash from the food sales and place the money into a cash box. At the end of the tournament, the cash is counted and processed for deposit.

When a deposit is ready to be made, the faculty club advisors completes a blue *Deposit Form* noting the club and total cash and/or checks that were received. The *Deposit Form* is signed by the faculty club advisor and activity treasurer, placed into an envelope along with the cash and/or checks then placed into the drop safe in the main office for further processing by the central treasurer.

The speech and debate club mainly incurs expenses related to the tournaments. The club disburses funds for a portion of the transportation cost to the state competition in Albany (a portion of the transportation cost is covered by the District's general fund), a portion of the

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airfare and hotel rooms for the national competition, the competition fees, meals and taxi fees. Additionally, the speech and debate club disburses funds for the end of year dinner for the team, flowers for the senior students and parent volunteers and current events magazine subscriptions. When a disbursement needs to be made, the speech and debate club holds a meeting to vote on approving the payment which is to be documented in the club minutes. Once the payment is approved, the faculty club advisor completes a *Payment Order* form noting the payee, club and amount to be paid and is signed by the faculty club advisor and activity treasurer. The *Payment Order* form is placed in the central treasurer's mailbox in the main office with the invoice and the club minutes authorizing the disbursement for further processing.

VIII. Varsity Club

The varsity club hosts several sports tournaments throughout the school year in which different Districts compete in. Each District is to submit a fee for entering the tournament. Beginning in the 2009/2010, the fees are being forwarded to the Athletic Booster Club for deposit. Additionally, the disbursements that need to be made are being handled by the Athletic Booster Club.

IX. Yearbook Club

The yearbook club has a printing agreement with Walsworth Publishers to create the yearbook. Beginning in December, parents are able to preorder the yearbook and pay the publisher directly either on-line, over the telephone or they can mail in their order. A post card is sent home to all students instructing them on the process of preordering the yearbook. The preorder payments that are made will be automatically applied to the printing agreement. Once the deadline for the pre-orders has passed, only senior students can pre-order the yearbook at the school with checks only accepted at the school as payment for the yearbook. Parents may choose to send the payment directly to the District in which case the checks will be placed in the faculty club advisor's mailbox in the main office or the students will hand deliver the payment to the faculty club advisor. The checks are placed in a locked file cabinet in the yearbook office until year end.

In addition to the revenues generated from yearbook sales, the yearbook club also sells dedication pages. Only checks are accepted as payment for dedication pages. The checks that are collected for the dedication pages are provided directly to the yearbook club advisor and will be processed for deposit at the end of the collection period. The faculty club advisor creates an *Excel* spreadsheet of all monies received for the dedication pages noting name, check number and type of page that was purchased.

At the end of the year, yearbooks are distributed by the faculty club advisor utilizing a spreadsheet from Walsworth Publishers of students who preordered the yearbook. Students who did not preorder the yearbook are provided the opportunity to purchase a surplus yearbook. Cash and checks are accepted as a form of payment for the surplus yearbooks. At the end of the day, the faculty club advisor counts the cash that was collected and places it into an envelope indicating the total amount. The envelope is placed into the drop safe in the main office with a

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note to hold the money for the yearbook club. The checks are placed in the locked file cabinet in the yearbook office. The following day, the faculty club advisor tallies the checks that were received, including those from the senior students, and completes a blue *Deposit Form* noting the club and total cash and checks that were received. The *Deposit Form* is signed by the faculty club advisor and activity treasurer, placed into an envelope along with the checks then placed into the drop safe in the main office for further processing by the central treasurer.

The main disbursement made out of the yearbook club is for the difference between the printing agreement and how much was collected by the deadline for online, telephone and mail orders. When a disbursement needs to be made, the yearbook club holds a meeting to vote on approving the payment which is to be documented in the club minutes. Once the payment is approved, the faculty club advisor completes a *Payment Order* form noting the payee, club and amount to be paid and is signed by the faculty club advisor and activity treasurer. The *Payment Order* form is placed in the central treasurer's mailbox in the main office with the invoice and the club minutes authorizing the disbursement for further processing.

Central Treasurer

Cash Receipt Process

A blue *Deposit Form* is completed and signed by the faculty club advisor and the activity treasurer noting the club/class the funds are to be applied to, the source of the funds, how much cash and checks were collected and the total amount of the deposit. The funds and *Deposit Form* are placed into an envelope which is then placed into a drop safe that is located in the main office.

Approximately once a week, the central treasurer gathers the deposits from the drop safe for further processing. The central treasurer reviews the source of the funds to determine if it is subject to sales tax then he recounts the deposit to ensure mathematical accuracy. If the funds are subject to sales tax, the central treasurer creates a spreadsheet calculating how much sales tax is going to be remitted to New York State. The central treasurer completes a duplicate copy deposit slip. The yellow copy of the deposit slip is attached to the *Deposit Form*. The white copy of the deposit slip and the monies are placed into an envelope which is then placed into a larger envelope for transportation to the bank.

After the deposit has been made, the bank authenticated deposit ticket is attached to the *Deposit Form* and a duplicate copy pre-numbered cash receipt is generated noting the date, source of funds, class/club, and total amount of deposit. The yellow copy of the cash receipt is attached to the *Deposit Form* and the white copy is forwarded to the faculty club advisor along with a summary of tax accrual (if applicable). The central treasurer enters the deposit information into *QuickBooks*, the accounting software, noting the cash receipt number that was issued. The *Deposit Forms* are maintained with the bank reconciliation and bank statements.

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Cash Disbursement Process

For purchases made from a vendor that require a purchase order, the faculty club advisor and activity treasurer completes and signs a *Purchase Order* form, which are maintained in the main office. The *Purchase Order* form is forwarded to the central treasurer who will print out an account balance of the club from *QuickBooks* to ensure that funds are available to make the purchase. The *Purchase Order* form and the account detail are forwarded to the Principal to review and approve. The approved *Purchase Order* form is provided back to the central treasurer who will forward it to the faculty club advisor. The faculty club advisor will generate a purchase order number then place the order with the vendor.

For all purchases, the various faculty club advisors make purchases on behalf of their club. The faculty club advisor completes a green *Payment Order* form noting the payee, name of the activity, and amount to be paid and is signed by the faculty club advisor and the activity treasurer. The *Payment Order* form is placed in the central treasurer's mailbox in the main office, along with the receipts and/or invoices and the club minutes authorizing the disbursement.

The central treasurer obtains the documents from his mailbox and reviews the receipts and/or invoices to ensure that it is an extraclassroom club expense. The central treasurer then prints out an account detail of the club to ensure that funds are available to cover the disbursement. The disbursement information is then entered into *QuickBooks*. The central treasurer retrieves the check stock from a locked file cabinet located in his office and generates the disbursement check through *QuickBooks*. The top stub of the check is attached to the *Payment Order* form and invoices/receipts then the check is signed by the central treasurer. The central treasurer records the check number and the date the check was written on the *Payment Order* form. The check, *Payment Order* form, invoices/receipts and the club minutes are forwarded to the Principal. The Principal reviews and signs the *Payment Order* form and the disbursement check then provides the documents to the central treasurer. The central treasurer mails the disbursement check and any necessary paperwork to the vendor and records the date the check was mailed on the *Payment Order* form. The supporting documentation for the disbursement is then filed in folders for each club.

On a monthly basis, the central treasurer prepares the monthly bank reconciliation. On a quarterly basis, the central treasurer prepares a *Comparative Account Balance* report for each club that shows beginning book balance, receipts and disbursements made during the quarter and the ending book balance. In addition, the central treasurer prepares a balance sheet which details the checking account and money market account balances for each club.

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OBSERVATIONS, FINDINGS AND RECOMMENDATIONS

Based on our detailed testing and walkthroughs, we provide our observations, findings and recommendations below to further strengthen the District's internal controls as it pertains to the extraclassroom activity fund outlined above. The steps taken and the scope of our engagement are detailed in the section of this report titled "Objective and Scope of the Engagement".

It should be noted that these recommendations are provided to assist management in improving the accounting and internal controls and procedures as it relates to the District's extraclassroom activity fund. It is important to note that our findings and recommendations are directed toward improvement of the system of internal controls and should not be considered a criticism of, or reflection on, any employee of the school district.

The following are items that were noted during our review:

- Board policy #5252, *Student Activities Funds Management* and the related regulation, does not address the treatment of interest earnings. We recommend modifying this policy to address how the District will allocate interest earned on extraclassroom bank accounts.
- While the cash balance in total was correct, we noted discrepancies between individual club cash balances at June 30, 2009 as reported in the audited *Extraclassroom Activity Funds Statement of Cash Receipts and Disbursements* and the *Comparative Account Balances 2008-2009 Closing Report* and/or balance sheet generated by the central treasurer for approximately twenty-six (26) clubs resulting in incorrectly reported ending balances.
- The *Yearly Update of Officers* memo is completed by the faculty club advisors rather than the officers of the club. The District should create a charter for each club which lists, at a minimum, the name of the club and the names of the student officers and faculty club advisors. This document should then be signed by each student officer, the faculty club advisor and the Principal, which is recommended by the Association of School Business Officials International. The signed charters should be forwarded to the Board of Education for approval on an annual basis with approval of the club charters documented in the minutes of the Board of Education meeting.
- The District has not appointed a faculty auditor for the extraclassroom activity fund. *Finance Pamphlet 2* suggests that the Board of Education appoint a faculty auditor, who is not involved in the cash receipt, cash disbursement and record keeping functions, to oversee all financial transactions. The faculty auditor is to ensure that correct procedures are being used and followed.

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- Sales tax is not being collected on admission charges to dances, which is a taxable event as per *Finance Pamphlet 2*.
- Various faculty club advisors do not utilize pre-numbered tickets for all admission events that they are involved in.
- Formal profit and loss statements are not being prepared by all faculty club advisors involved in the school store, fund raisers and various activities involving admissions. Additionally, the faculty club advisors involved with admission events that utilize pre-numbered tickets do not reconcile ticket numbers issued to the amount of money collected to ensure accuracy.
- The faculty club advisor for the locks of love club does not document how many t-shirts are donated therefore resulting in the inability to properly account for all the t-shirts purchased and sold.
- The faculty club advisor for the junior and senior high school musical does not document how many complimentary tickets are issued which should be done to properly account for all issued tickets.
- The class of 2011 is responsible for organizing and selling tickets for the homecoming dance. We were informed that the student organization (other) printed and sold tickets during the homecoming game without the knowledge and approval of the class of 2011 resulting in the inability to properly account for ticket sales. Each individual club should be responsible for the organization and collection of funds for their own events unless other arrangements have been agreed upon.
- Currently, the varsity club does not appear to be operating as a bonafide extraclassroom activity club. We recommend that the District review the activity of the varsity club and determine whether the club should remain within the extraclassroom activity fund.
- Pre-numbered pre-printed duplicate copy cash receipts or activity treasurer receipts are not issued when monies are collected. *Finance Pamphlet 2* suggests that a pre-numbered receipt form be utilized to acknowledge the receipt of money by the activity treasurer.
- The checks received by the speech and debate club are maintained in the faculty club advisor's briefcase rather than keeping it in a secure location on school grounds.
- The faculty club advisor for the yearbook club does not submit checks received from the senior students for the preordering of the yearbook to the central treasurer for deposit until the end of the school year.

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- Although a *Deposit Form* is utilized when funds are being forwarded to the central treasurer for deposit, the form is not a pre-numbered duplicate copy form. Additionally, the central treasurer does not sign the *Deposit Form* which is recommended in *Finance Pamphlet 2*.
- Photocopies of checks that are being submitted for deposit are not being maintained as supporting documentation of the cash receipt.
- Sealed bank deposit bags are not utilized by the central treasurer when taking the deposits to the bank.
- A purchase order is not always utilized by extraclassroom clubs when purchasing goods or services. *Finance Pamphlet 2* states that “purchases by activities should be made by means of a formal purchase order approved by the faculty advisor who is responsible for determining that funds are available before approving the purchase order. This form shall be made out in duplicate, the original to the vendor and the copy to the activity treasurer.”
- Although a *Payment Order Form* is utilized when a payment is being requested, the form is not a pre-numbered duplicate copy form.
- The central treasurer mails the disbursement checks to the vendor rather than providing the check to the activity treasurer or faculty club advisor, which is recommended in *Finance Pamphlet 2*.
- The central treasurer does not monitor compliance with IRS guidelines in regards to the filing of IRS 1099 forms for service providers paid through the extraclassroom activity fund.
- The central treasurer does not have a procedure in place to properly cancel receipts and/or invoices after payment to avoid potential duplicate payments.
- Out of thirty-three (33) cash receipts tested:
 - A *Deposit Form* could not be located for two (2) selections; and
 - Eleven (11) deposits contained a time lag in excess of one week between the date listed on the *Deposit Form* and the date in which the monies were deposited in the bank.
- Out of twenty-two (22) cash disbursements tested:
 - Three (3) disbursements were not supported by an invoice.

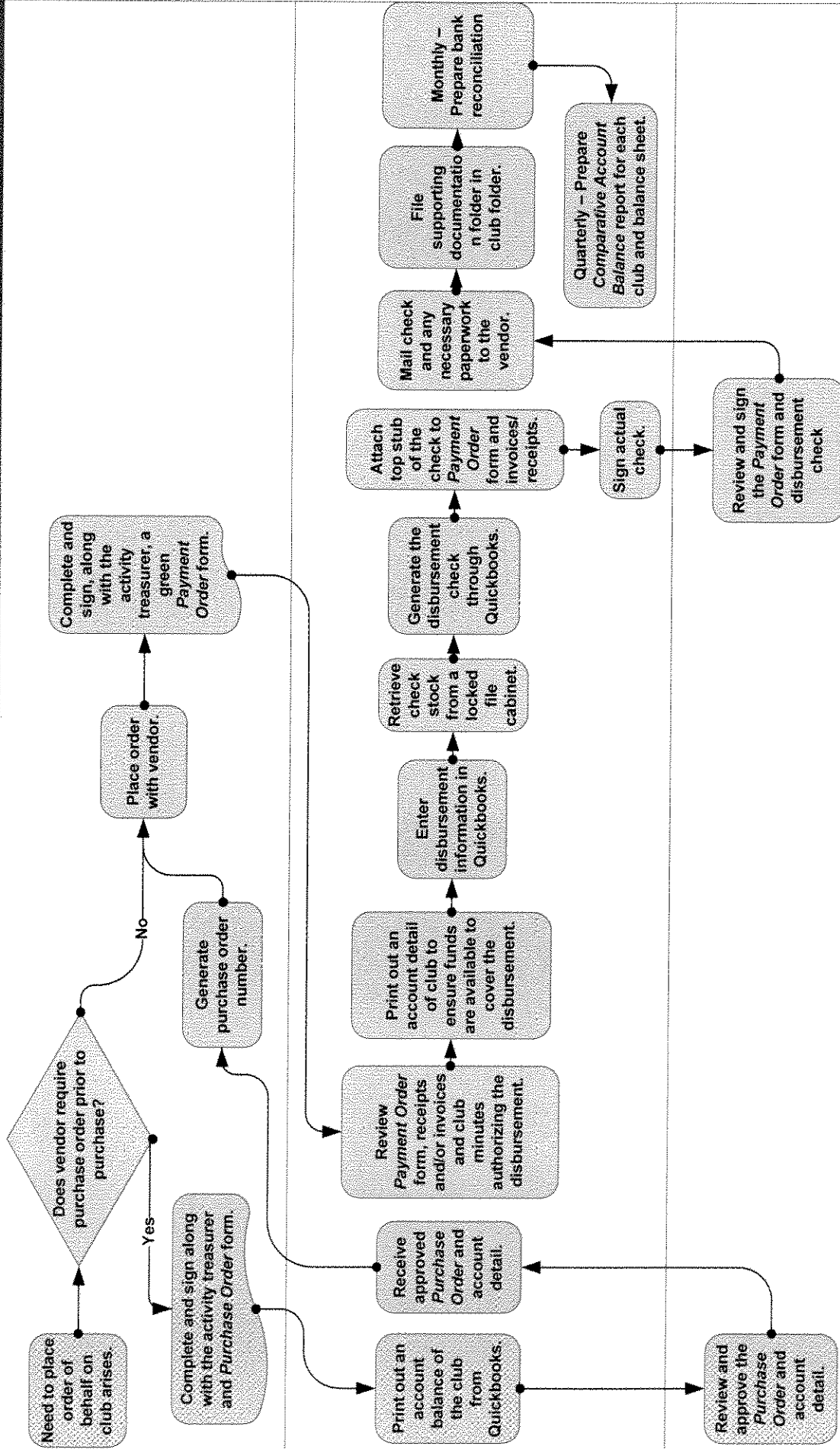
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Recommendations:

1. We recommend the District review the exceptions noted above and implement procedures to rectify and improve the accounting, internal controls and procedures within the extraclassroom activity fund. Correcting some of the above exceptions will also ensure compliance with the guidelines listed in *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds – Finance Pamphlet 2*.
2. We recommend the District conduct training for the extraclassroom central treasurers and faculty club advisors on the policies, procedures and guidelines as noted in *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds – Finance Pamphlet 2*.



Cold Spring Harbor Central School District





Cold Spring Harbor Central School District

Faculty Advisor

Central Treasurer

