

Pelham Union Free School District
Independent Accountant's Report On
Applying Agreed-Upon Procedures
January 28, 2019

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Education and Audit Committee
Pelham Union Free School District
Pelham, New York

We have performed the procedures described in the following pages, which were agreed to by the Pelham Union Free School District (District), regarding receipts of cash and checks, revenue accounting and extraclassroom activities areas for the period July 1, 2017 through October 31, 2018.

The District's management is responsible for administering these areas.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in the following pages.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the District's receipts of cash and checks, revenue accounting and extraclassroom activities areas. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our engagement.

This report is intended solely for the information and use of the District and is not intended to be and should not be used by anyone other than the specified parties.

Cullen & Danowski, LLP

January 28, 2019

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Report on Applying Agreed-Upon Procedures
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Introduction:

This report is categorized by function (i.e., Revenue Management & Cash Receipts and Extraclassroom Activities), and there are five sections under each function consisting of:

- Background information
- Summary of the engagement
- Procedures performed during our detailed testwork
- Findings as a result of our review
- Recommendations to further strengthen internal controls or improve operational efficiency.

Some of the recommendations may require a reassignment of personnel duties within the District and/or a monetary investment. However, any enhancement of controls should be done after a careful cost-benefit analysis.

Corrective Action Plan:

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan, approved by the Board of Education, must be filed within 90 days of issuance with the New York State Education Department (NYSED).

The District should submit the Corrective Action Plan (CAP) along with the respective Internal Audit Report via the NYSED portal system.

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REVENUE MANAGEMENT & CASH RECEIPTS

Background:

Cash and checks are collected at the schools for items such as field trips, lost book fees, AP exam fees, instrument rental and graduation cap and gown. These receipts are forwarded from the buildings to the Business Office and are typically accompanied by a form which documents the budget code or the associated purchase order number. The form is not a multi-part form and the forms are not pre-numbered. The form generally has limited documentation to support the deposit (i.e. list of students). If a form is not sent, a list of checks or lost book fines listing is sent. The completed form and the funds are submitted to the Staff Assistant Finance and Administration (SAFA); who counts the money and compares the total amount of cash and check to the amount recorded on the form. If a form is submitted, the SAFA signs the bottom portion of the form and records the cash and check amount that was counted; makes a copy of the form; and returns the copy to the school to confirm that the funds have been received and deposited. If a form is not sent from the building, no confirmation of the receipt is sent back to the school.

A pre-numbered two-part receipt is completed by the SAFA for all receipts. The yellow copy stays in the receipt book and the white copy is attached to the deposit backup. No copy of this receipt is sent back to the originator.

Additionally, the SAFA maintains an excel spreadsheet of receipts by month detailing payee, date deposited, check number, account code and receipt number. A printout of the relevant excerpt from the excel spreadsheet is attached to the original form, the bank receipt and deposit ticket. This documentation is provided to the Senior Account Clerk (SAC) who enters the cash receipts into the financial accounting system. The completed packet is then given to the Treasurer to review and file.

Receipts received from outside of the school or in the mail (retiree checks, BOCES checks, refunds, tuition payments, facility use payments, etc.) are also logged in the spreadsheet by the SAFA who also prepares a pre-numbered receipt for these checks.

Summary:

We found opportunities for improvement related to revenue management and cash receipts as a result of our engagement. These items are described further in the findings and recommendations sections below. We recommend that the District consider implementing these recommendations to further strengthen internal controls and/or improve operational efficiencies related to revenue management and cash receipts.

Procedures:

Our procedures related to revenue management and cash receipts, as per the engagement letter dated July 1, 2018, were as follows:

- Review Board policies and procedures related to revenue management, cash and investments management and bank reconciliations.
- Interview District personnel regarding processes related to revenue recognition and accounting. Also identify areas in which cash or checks are received at the schools (excluding school lunch and extraclassroom activities) and interview appropriate staff regarding procedures related to the accounting and safeguarding of those funds.

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- Review the revenue budget for fiscal 2018-19 and compare to the 2017-18 budget and 2017-18 actual results. Obtain explanations for unusual variances. Review latest budget status report as of date of field work and obtain explanations for any variances.
- For significant revenue accounts, select a sample of postings to ensure that the District has appropriate procedures to record the transaction properly, accurately and timely.
- Assess the District's revenue management activities related to forecasting for reasonableness and comprehensiveness regarding the key revenue sources.
- Select 40 receipts during the period and test the accounting process for each transaction.

Findings:

Review of Board policies and procedures related to revenue management and cash receipts and interviews with District personnel regarding key processes found:

- We were informed that in cases in which there is no deposit form sent to the SAFA along with the funds to deposit from the schools, no confirmation is sent back to the school to indicate that the funds had been received in the Business Office. In the instances where a deposit form accompanies the deposit from the school, the amount is confirmed as the SAFA signs the form and returns it to the Secretary. However, this form is not a multi-part form. The SAFA prepares a 2 part pre-numbered receipt, with one copy attached to the original deposit form and the second copy remaining in the book as a record. No copy of the receipt is sent back to the school.

Interviews with District personnel from the High School (HS), Middle School (MS), Guidance Office and Colonial Elementary School regarding processes related to the accounting and safeguarding of cash or checks received at the schools noted:

- Spreadsheets at the schools are used to track the collection of funds from students for items such as fees related to HS graduation cap and gowns, and a major field trip at the MS where the funds are collected in the Main Office. However, we noted that the spreadsheets did not note the amount collected from each student, along with a total amount collected to ensure that the deposit was complete. In a spreadsheet used to track AP fees collected from students, the amounts per student had been recorded; however, the total amount per the spreadsheet was not reconciled to the TE account. During our review, the Treasurer reconciled the account to the spreadsheet and noted that the actual deposits in the TE account was \$1,730 more than the amount recorded on the spreadsheet. Additionally, the spreadsheets are not sent to the Business Office as supporting documentation to enable reconciliation.
- We were informed that no supporting documentation (i.e. list of students and amount paid) is provided to the Secretary for certain other deposits where teachers collect funds directly from students (i.e. fundraisers, chorus dresses), resulting in an inability to determine if the deposit is complete.
- We were informed that, for most field trips, teachers determine the amount to collect from each student based on the price of the venue and transportation costs. This is documented on a form that is approved by the principal. The funds are collected by the teachers, all in cash. In most cases, the funds are separated by the teacher with the fees for the venue remitted to the PTA or, in some cases at the HS, the funds being brought directly to the venue to pay for admission. The amount to cover the cost of the transportation is given to the building Secretary. In most cases, no documentation is sent to support the collections (i.e. class lists). At the Colonial Elementary School we were informed that if the documentation is sent with the deposit, it is either filed or discarded, if not needed. We were further informed that the funds are delivered to the Main Office after the trip has occurred.

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- We were informed that the procedures for student payment for a MS field trip include students dropping cash and checks into a box on the desk of the MS Secretary, rather than handing them directly to the Secretary. We had further been informed that the box sits on the Secretary's desk for the day and is emptied and deposited at the end of each day.
- A MS lost book deposit dated June 2018 totaling \$210 (\$110 cash and \$100 check) was apparently sent over to the Business Office, but never received and deposited in the District's books. The SAFA does not send back a receipt for lost book deposits to indicate that the funds have been received. We were further informed that some of the schools instruct the parents to replace the book rather than send in money.
- We were informed that the procedures for issuing and returning textbooks to students is a manual process. The teachers use a card system in which cards are issued with the textbook, the student completes the card, and at the end of the year, the teacher discards the card when the text book is returned by the student.

Review of the revenue budget for fiscal 2018-19 compared to the 2017-18 budget and 2017-18 actual results noted:

- The revenue budget and actual results were in line. The 2018-19 budget seems reasonable.

Review of significant revenue accounts, including a selection of a sample of postings to ensure that the District has appropriate procedures to record the transaction properly, accurately and timely, found:

- There were no unusual items noted.

Review of the District's revenue management activities related to forecasting for reasonableness and comprehensiveness regarding the key revenue sources noted:

- The budgets for the revenue codes seemed appropriate, and the District provided detailed explanations for our few inquiries.

Review of 40 receipts during the period found:

- Lost book receipts from the schools, one deposit for MS field trip transportation, three HS deposits (one for chorus dresses, one deposit for instrument rental and one for cap and gowns) did not have a deposit form attached when sent over to the Business Office. Since no deposit form was attached, the building would not have received a copy of the deposit form as confirmation back from the Business Office that the funds had been received and deposited.
- Receipts from the schools lacked documentation to support the deposit (i.e. list of students that paid for a field trip, AP test, cap and gown, chorus dress, etc.). Receipts related to lost books either had a listing of students with the name of the lost book or the printout from the library system.
- There had been some check deposits from the schools for AP tests, field trips, etc. that had not been deposited timely with the Business Office. They are often held until and transmitted all at once or in groups.
- There was one instance where the District received revenue from the Town of Pelham to offset their use of Pelham's fields. We recalculated remittance documentation and found mathematical errors resulting in the District receiving \$1,239 less than due. We were informed that the amounts are based on a contract from several years ago; the remittance was not reviewed by any District employee.

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Recommendations:

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to revenue management and cash receipts:

1. Consider implementing an online method to collect funds from parents for items such as field trips, lost book fines, AP exam fees, instrument rental, cap and gown, chorus dresses, etc. In the meantime, the Business Office should consider using a three-part receipt book, instead of a two-part receipt book, for all deposits received from the schools. The third copy of the receipt would be sent back to the originator as a receipt. Also, the building secretaries should be instructed to notify the Business Office if a receipt is not received within a set period of time (e.g. 3 days).
2. The District should utilize the receipt log to verify that amounts received are actually deposited.
3. All deposits received from the schools should be accompanied by a completed deposit form and supporting documentation (i.e. list of students and amount each paid) in order for the Business Office to determine that the deposit is complete. Additionally, all deposits from the buildings should be sent to the Business Office in a timely manner.
4. The MS Main Office should discontinue the procedure of maintaining a box on the Secretary's desk to collect payments for field trips. All funds should be secured in the safe, including during the school day. Additionally, all funds related to field trips should be deposited with the Secretary rather than brought to the venue to pay admission.
5. Consider scanning textbooks into the Library system to track the issuance and return of the textbooks each year.
6. The invoice from the Town of Pelham, and any other receipt not previously billed by the District should be reviewed by the appropriate District employee to ensure that the amounts are accurate and complete.

EXTRACLASSROOM ACTIVITIES

Background:

We performed a review of the District's extraclassroom activities that included meetings, discussions and testwork to determine compliance with policies and procedures.

The New York State Education Department (NYSED) has developed a manual for recommended practices related to extraclassroom activities titled *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds*. This manual provides recommendations for systems and procedures to be used to ensure that extraclassroom activities are properly administered. The District has extraclassroom activity funds being accounted for at each of the two secondary schools: the High School (HS) and the Middle School (MS). These activities are overseen by a Student Activity Advisor at the HS and MS, as well as Central Treasurers at each school.

Club advisors are Board approved for all bona-fide clubs. If the club has no financial transactions and the club advisor does not receive a stipend, they are not Board approved. The Central Treasurer with the assistance of Student Treasurers at the HS and MS are involved in the day to day accounting for extraclassroom accounts that includes preparing deposits, recording deposits, preparing purchase orders, writing checks and recording expenses. The Central Treasurer or the student treasurer that assists the Central Treasurer prepares a pre-numbered receipt for each transaction and provides a copy of the receipt to the club advisor. A quarterly

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reconciliation is prepared by the Central Treasurer then submitted to the District Treasurer for review and approval.

Summary:

We found opportunities for improvement related to extraclassroom activities as a result of our engagement. These items are described further in the findings and recommendations sections below. We recommend that the District implement these recommendations to further strengthen internal controls and/or improve operational efficiencies related to extraclassroom activities.

Procedures:

Our procedures related to Extraclassroom activities, as per the engagement letter dated July 1, 2018, were as follows:

- Review Board policies and District procedures in detail related to the extraclassroom activities.
- Interview central treasurers and Business Office personnel responsible for extraclassroom activities regarding policies, procedures and systems in effect and document the strengths, weaknesses and key control attributes for testing.
- Review the extraclassroom activities as follows:
 - For student clubs – select the 3 most active from each of the secondary schools and review for compliance with the Regulations of the Commissioner of Education (CR) §172.1 and the NYSED manual (e.g., student officers, proper forms and accounting records).
 - For student clubs – interview 3 advisors from active clubs at each of the secondary schools to ensure they are familiar with the laws and guidelines of CR §172.1 and the NYSED and to determine that the proper controls over transactions are in place.
 - For cash disbursements from the activity funds – select 25 payments from randomly selected clubs at each of the secondary schools to ensure proper approvals, supporting documentation and appropriateness of expenditure.
 - For cash receipts – select 25 receipts from randomly selected clubs at each of the secondary schools to ensure proper documentation, accuracy of totals and appropriate controls over collections (i.e., receipt books). If the deposit relates to a fundraising event, ensure that the event was properly approved, the funds had been submitted in a timely manner and the deposit included appropriate supporting documentation (e.g., accounting for the number of tickets sold).
 - Identify the fundraising events that have occurred during this period to the greatest extent possible (e.g., through inquiry and review of club records, the high school paper, local media print, etc.) and determine if the funds had been appropriately deposited with the Central Treasurer.

Findings:

Review of Board policies and District procedures and interviews with staff related to extraclassroom activities noted:

- The structure of the MS accounts are set up as one fund where all deposits are made and all disbursements are deducted. Some club activity is tracked separately, but the clubs do not have individual balances. Also, balances for individual clubs do not roll to the next school year.

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- The MS extraclassroom activities include accounts that have been set up to collect money for field trips; however, these clubs do not have a club charter or student officers and lack any student involvement. The sole purpose of these clubs is to collect funds for field trips.
- There are transactions recorded in the MS extraclassroom accounts which are not related to club activity, but rather are part of the MS curriculum, including:
 - The purchase of water bottles for resale for a fundraising event for an IB community service project which is part of the 8th grade curriculum. The students remitted the funds to cover the cost of the water bottles; but the remainder of funds collected had been donated by a parent to a charity. These funds were not accounted for in the Extraclassroom accounts.
 - Other deposits related to IB community projects had been deposited in the MS General Organization club extraclassroom accounts. In these cases, a check was disbursed to the charity designated by the students.
 - Expenses for trophies & t-shirts related to a Pelham spelling bee which is part of the MS curriculum had been paid for from the Extraclassroom accounts.
 - Supplies for a bagels and lox event sponsored by the Guidance Department, summer stars and summer institute had been charged to Extraclassroom accounts.
 - A Living History Grant in the amount of \$1,500 was applied for and received. These funds had been deposited in the Extraclassroom accounts; however, the events these funds are used for are part of the Social Studies curriculum.
- Both the MS and the HS Drama productions operated at a deficit for the 2017-18 school year. The MS production operated at a loss of \$959 and the HS production operated at a loss of \$567. A profit and loss statement is not prepared for the productions; the advisor was aware that the productions did not break even.
- The HS Yearbook Club has a balance of \$28,143 at the end of October 2018; this balance has been building over the years due to the costs charged in prior years.
- We identified several instances in which funds were not deposited timely with the Central Treasurer; as follows:
 - There was an all check deposit that was held from the prior school year and deposited with the MS Central Treasurer on 9/27/17. The deposit was for yearbook sales in the amount of \$608; we were informed that the Yearbook advisor was on leave of absence and the deposit was overlooked until it was found by the new advisor in the new school year.
 - A few small MS deposits were found and deposited after the event took place (\$50 cash for spirit t-shirts, \$100 check for Frost Valley field trip).
 - We were informed that a few checks from the 2017-18 Junior Prom, sent in by parents in the spring of 2018 were locked in a cabinet in the Advisor's office and not deposited until the fall of 2018 when they were discovered.

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- There were three MS field trips where not enough funds had been collected to cover the cost of the trip:
 - The field trip to Medieval Times was under budgeted by \$1,141; the amount collected from the parents was \$13,459, but the cost was \$14,600.
 - The field trip to the Rockland Boulders game was under budgeted by \$1,339; the amount collected from the parents was \$6,741, but the cost was \$8,080.
 - The field trip to Pelham Arts Center was under budgeted by \$206; the amount collected from the parents was \$760, but the cost was \$966.

Review of the extraclassroom activities for the HS and MS and interviews with the club advisors of the most active clubs at each of the secondary schools found:

- We interviewed 3 advisors at the HS (Drama Club, Class of 2019 and Student Association (SA)) and 3 advisors at the MS (Yearbook Club, Drama Club and General Organization (GO)). In addition, we interviewed the Central Treasurer at each secondary school.
- Interviews with the Central Treasurer and the club advisors at the HS noted the following:
 - We noted a deposit in the amount of \$11,270 was recorded to the Student Activity Club (SA) Club, rather than the Class of 2018. This amount was a result of a talent show fundraiser which was to be used to offset the cost of the 2017-18 prom tickets paid by students. We were unable to speak with the advisors of either club, as they no longer are club advisors and one of the individuals has retired from the District. Additionally, the deposit form indicated that \$11,270 was collected for this event, but when we calculated the tickets sold and the cost, we calculated an amount closer to \$13,000. Pre-numbered tickets are not used to account for the number of admissions sold and we were unable to review the list of students that paid.
 - We were informed that pre-numbered tickets were not used for a few events held by the SA club in 2017-18 and student lists were not available to verify the reasonableness of deposits. The club advisor who was responsible retired last year.
 - None of the three clubs reviewed maintained ledgers. The advisors receive balance statements from the Central Treasurer and compare the deposit and expenses to their paperwork to make sure that they agree.
 - The Drama Club has student officers; however, we were informed that they are not involved in the financial transactions of the club including selling tickets or concession sales. They do count the deposit for the drama production or sign off on the deposit form.
 - None of the three clubs reviewed prepared profit and loss statements for fundraising events.
 - Club charters are not updated each year with new Faculty Advisors and Student Officers.
 - Sales tax was not collected or remitted on a number of items including expenses related to the Drama Club and on all online sales for the yearbook.
- Interviews with the Central Treasurer and the club advisors at the MS noted the following:
 - One of the three clubs (Yearbook Club) did not have student officers; a second club (Drama Club) had student officers; however, we were informed that they are not involved in the financial transactions of the club including selling tickets or concession sales. They do count the deposit for the drama production and sign off on the deposit form.
 - None of the three clubs reviewed maintained ledgers; the GO Club did keep a spreadsheet for each event held summarizing the tickets sold and was working on matching the expenses related

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to each event. We were informed that the Yearbook Club has not received balance information from the Central Treasurer to confirm the club's balance.

- We were informed that the Drama Club used pre-numbered tickets for admission, but the ticket sequence was not accounted for and compared to the cash received.
- Sales tax was not collected for expenses related to the Drama Club and on all online sales for the yearbook.

Review of 50 payments (25 from each secondary school) from randomly selected clubs to ensure proper approvals, supporting documentation and appropriateness of expenditure noted:

- There were 2 instances from the HS clubs where a detailed receipt was not presented for payment:
 - The first instance was a payment to a restaurant for the food for the Junior Prom. There was no itemized breakdown on the receipt; the Advisor hand wrote the number of students multiplied by the unit cost.
 - The second instance was a reimbursement to a Club Advisor; there was no invoice attached, only the advisor's credit card statement with the amount charged.
- There was a transfer from the Class of 2018 to SA in the amount of \$3,778; no form was used to document the transfer. We were informed that since there was wording in the Board policy related to procedures to follow when a club closes, the transaction was not documented.
- There were 10 instances from the 25 payments reviewed at the HS and 3 instances from the 25 payments reviewed at the MS where sales tax was not charged.
- There were 2 payments made without an invoice from the MS accounts:
 - The first instance was a payment made of \$180 to a police officer chaperone for security for a dance. We were informed that this is past practice and they have never received an invoice in the past.
 - The second instance was a refund of \$230 to a parent for a trip; no note was attached from the parent requesting the refund.

Review of 50 cash receipts (25 from each secondary school) from randomly selected clubs to ensure proper documentation, accuracy of totals and appropriate controls over collections (i.e., receipt books) found:

- Details for the deposit are not included with the deposit (i.e. list of names, sequence of tickets sold for drama production, etc.) for the Central Treasurer to be able to determine if the deposit is complete. In most cases, the Club Advisors at the HS and MS described the deposit on the deposit form, indicating the number of tickets/items sold at a cost equal to the total deposit amount. However, we noted some instances where there had been no details recorded of the deposit on the deposit form; most of these instances at the MS related to field trip collections and the instances at the HS had been from clubs that did not have a lot of financial activity. Although we noted that the HS Model UN club which does have a good amount of activity, did not provide details for each deposit (i.e. amount collected from each student for trips).
- There were 4 instances of the 25 HS receipts tested where the student treasurer did not sign off on the deposit form. It appeared that in some of the cases, the deposit form was completed by either the club advisor or student treasurer and the same person printed both names on the line designated for club advisor and student treasurer.

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- The following deposits were not made timely:
 - A HS cash deposit of \$162 for a sticker fundraiser for the Wounded Warrior Club that was collected 12/4/17, but not deposited with the Central Treasurer until 6/7/18.
 - A MS cash deposit for a bake sale for the GO club that took place on 5/11/18 was not deposited with the Central Treasurer until 5/31/18.
 - The MS drama production took place from 1/19-1/21/18; however, the funds were not delivered to the Central Treasurer until 1/30/18 and were not deposited in the bank until 2/7/18 due to the large amounts of cash that needed to be counted.
 - A deposit related to sweatshirt sales for an 8th grade class trip had been collected in September 2017; but not deposited with the Central Treasurer until 11/6/18.
 - A MS deposit for a t-shirt sale held between 9/5-10/4/18 was not delivered to the Central Treasurer until 10/24/18.
 - There were some deposits that we were unable to determine whether the funds had been deposited timely, as there was no date of event on the deposit form.

Recommendations:

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to Extraclassroom Activities:

7. Review the MS Extraclassroom accounts to determine if the structure should be changed to breakout each club with a starting balance and ending balance which would be carried forward each year as a running balance. Also, determine whether or not each extraclassroom activity is a bona-fide club per CR §172 and Finance Pamphlet 2. Included within the pamphlet is the regulation that each club shall have student officers as president, secretary and treasurer who are involved in the financial activities of the club.
8. Establish procedures requiring all clubs to use pre-numbered tickets whenever possible for admission to events, account for the number of tickets sold and compare to the deposit amount. When appropriate, a profit and loss statement should be prepared to determine if events are breakeven. The deposit amount should be documented with the details of the deposit on the deposit form (i.e. number of items/tickets sold multiplied by cost is equal to the total deposit) and any supporting documents should be attached to the deposit form (i.e. class lists, listing of tickets sold, etc.) for the Central Treasurer to be able to determine if the deposit is complete.
9. Review balances in the HS Yearbook club account and determine a plan to spend the funds.
10. Establish procedures to require each club to maintain a financial ledger and confirm in writing that ledger with the Central Treasurer at least once during the year and at the end of the year. On a test basis the Central Treasurer at the HS should compare the deposits and expenses that are recorded to the correct account after the Student Treasurer posts the activity.
11. Improve the sales tax procedures related to extraclassroom activities and establish a process for determining if the event is taxable. The procedures need to ensure that the fundraising events and activities are in compliance with sales tax guidelines (e.g., yearbook, clothes, items purchased for resale) and ensure that the clubs do not improperly claim exemption from tax with vendors.
12. Develop procedures to ensure that deposits are submitted to the Central Treasurer on a timely basis. The receipts (i.e., cash and checks) should be deposited as soon as possible.

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13. Ensure that a detailed invoice is supplied for each payment. All refunds should have a letter from the parent requesting the refund attached as documentation. Additionally, all transfers should be documented on a form and, at a minimum, the club advisor should sign-off on the transfer.
14. Ensure that all deposit forms are signed-off by the student treasurer.

