

**HASTINGS-ON-HUDSON  
UNION FREE SCHOOL DISTRICT**

**EXTRA CLASSROOM ACTIVITY FUNDS INTERNAL AUDIT**

**Internal Audit Report**

**April 8, 2021**

April 8, 2021

Ms. Laura Berman, President, Board of Education  
Hastings-on-Hudson Union Free School District  
27 Farragut Avenue  
Hastings-on-Hudson, NY 10706

Dear Ms. Berman,

We have recently completed our internal audit of internal controls over extra classroom activity funds (“ECAAF”) processes of the Hastings-on-Hudson Union Free School District (“the District”). These functions were recommended for audit in our internal audit risk assessment update FY 2019/2020 report dated June 30, 2020.

This internal audit report includes background information, the audit scope and objectives, summary of audit findings, and our observations and recommendations. The audit procedures performed included various tests, reviews, and evaluations in accordance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors.

This report includes observations identified during our audit, with recommendations to improve internal controls and enhance operational effectiveness. We are available to meet with the Audit Committee/Board to discuss the report at your convenience.

We appreciate the fine level of cooperation provided to us by the District’s staff during our audit and look forward to working with them in the future.

Very truly yours,



Accume Partners

**Date:** February 8, 2021

**To:** Ms. Laura Berman, Board President

**From:** Sharon Eason, Manager  
David E. Moran, Director of Education Practice

**cc:** Audit Committee  
Dr. Valerie Henning-Piedmonte, Superintendent  
Ms. Maureen Caraballo, School District Treasurer  
Mr. Nick Macri, Deputy Treasurer

**Subject:** Extra Classroom Activity Funds

## Background

We have applied certain financial, compliance and operational audit procedures to the Extra Classroom Activity Funds functional areas of the Hastings-on-Hudson Union Free School District (the “District”) as of June 30, 2020. As a result of our most recent Risk Assessment Report, Internal Audit recommended this area for an in-depth review to determine ways to improve procedures and establish increased accountability and stronger internal controls.

## Audit Scope

Our responsibility was to assess the adequacy and effectiveness of internal controls over Extra Classroom Activity Funds (“ECAF”) operations in the District. We reviewed the period from July 1, 2019 through June 30, 2020. A detailed description of audit work performed is presented in the “Summary of Audit Procedures Performed” section of this report. These audit procedures performed are in accordance with *The International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors.

## Executive Summary

As a result of the work performed, observations were made that resulted in recommendations designed to improve internal controls and enhance operating policies and procedures:

1. The District should develop written policies and procedures to ensure the control processes over extracurricular activities funds are uniform throughout the District.
2. The District should designate someone independent of the extra classroom funds to review both the individual club records and central treasurer’s records to ensure they agree and are maintained according to the Board established procedures recommended in item #1.
3. The District should continue their processes and controls to ensure that all signed approvals are also dated, and that two separate and independent sets of records of receipts and disbursements are maintained by the central treasurer and by the separate student activity treasurer.

Based on the results of the procedures performed, the internal control structure is rated as “**Satisfactory.**” with recommendations as listed above. The internal audit rating structure is defined below:

<b><i>Satisfactory</i></b>	Indicates an acceptable system of internal control and satisfactory compliance with applicable policies, procedures and regulatory requirements. Findings indicate modest weaknesses that require management's attention.
<b><i>Needs Improvement</i></b>	Indicates weaknesses in the system of internal control and/or compliance with related policies, procedures and regulatory requirements. These findings require management's prompt resolution to prevent further deterioration and possible losses.
<b><i>Unsatisfactory</i></b>	Indicates significant weaknesses in the system of internal control and/or compliance with related policies, procedures and regulatory requirements. Management's immediate attention to these findings is required to prevent potential loss to the institution.

We would like to thank the management and staff of the District for the assistance and courtesy extended to us during our audit.



Accume Partners

### **Summary of Audit Procedures Performed**

- Procedure 1 – Interviewed appropriate personnel in the Business Office, High School and Middle School to determine the ECAF duties and responsibilities performed by teachers, Principals, administrative personnel and students.
- Procedure 2 – Verified supporting documentation of cash receipts detailing how funds were raised and from whom they were collected.
- Procedure 3- Verified that all cash receipts had been accounted for and properly deposited.
- Procedure 4- Verified that bank reconciliations are performed for extra classroom activity funds.
- Procedure 5- Reviewed and tested a sample of disbursements.
- Procedure 6- Ensured that all accounts are audited annually.

## **Recommendations to Enhance the System Of Internal Controls and Improve Operating Procedures**

### ***1. EACF Policies and Procedures***

#### **Observation**

Internal Audit tested the ECAF processes to ensure that they were conducted in compliance with the District's policies and procedures. We noted that the District does not have any written policies and procedures. The District has procedures in place to manage the processes over ECAF to ensure proper segregation of duties and reporting, however they are not formally documented.

#### **Risk/Opportunity**

School Districts are required to establish policies and procedures for the EACF and approve only those activities that conform to the Regulations of the Commissioner.

#### **Recommendation:**

The District should establish written procedures to enhance the level of reporting. The policies should ensure that the following are addressed:

1. The method to be followed to establish an organization.
2. Acceptable purposes for which students may form Extra classroom activities.
3. Grade groupings, which may form ECAF clubs.
4. How faculty sponsors and student officers of ECAF should be chosen
5. Publish annually a list of approved Extra classroom activities.
6. Provide guidance on the taxability of common fundraising activities.
7. Establish a method of disposing of funds of defunct organizations, review of inactive clubs and discontinued activities of graduating classes.
8. The appropriate level of internal control needed to adequately segregate the duties related to disbursing money, maintenance of records and reconciling bank accounts.
9. The procedures required to provide an adequate level of oversight for the maintenance of records and a periodic independent and impartial audit of the records.

#### ***Management's Response:***

***The Business Official will make a recommendation to the Policy Committee to establish policies outlying the regulations of the Extra classroom Funds. In addition, the Business Office will establish written procedures.***

Management's anticipated completion date of the written procedures is 6/30/21.

## 2. *Books and Records, Receipts & Disbursements*

### **Observation**

Internal Audit reviewed and tested internal controls over books and records, cash receipts and cash disbursements. Internal Audit reviewed the process over the books and records and cash receipts and disbursements to ensure that there is proper segregation of duties. We verified that the books and records of individual clubs are maintained, and that two separate and independent sets of records of receipts and disbursements are maintained by the student activity treasurer and the other by the treasurer's office. Cash receipts are properly documented and accounted for each classroom activity fund. Cash disbursements of ECAFs were made with proper authorization and proper supporting documents. In our review, we found no significant deficiencies.

### **Risk/Opportunity**

Good internal controls over the books and records, receipts and disbursements help to ensure that actual expenditures are in line with the club's purpose and help to prevent fraud and misappropriation of extra classroom activity funds. In general, all receipts and disbursements should be supported with adequate documentation and sufficient itemization to ensure and validate that the nature of the receipt/expense were appropriate for the extra classroom activities.

### **Recommendation:**

The District should continue their processes and controls over the books and records, receipts and disbursements.

### ***Management's Response:***

No response required.

## 3. *Custody of Assets and Financial Accounting and Reporting*

### **Observation**

Internal Audit reviewed the internal controls over the Custody of Assets and Financial Accounting and Reporting. The District indicated the bank to be used as the depository of all ECAF. Bank reconciliations are performed for ECAF accounts. All accounts are audited

annually.

**Risk/Opportunity**

Custody of Assets and Financial Accounting and Reporting usually require a greater level of scrutiny and review to ensure that the ECAF “actual and necessary” and therefore eligible for use according to ECAF mission. In addition, the reporting by external auditors provide assurance that the ECAF are being managed appropriately.

**Recommendation:**

Continue the District wide practices over the Custody of Assets and Financial Accounting and Reporting.

***Management’s Response:***

No response required.