

Edgemont Union Free School District, New York

Control Deficiencies

- **Extraclassroom Activities**

Extraclassroom activity funds, which are authorized by the New York State Department of Education, are an integral part of the educational program of the School District. As part of our audit, we have reviewed, evaluated and tested the Extraclassroom Activity Funds of the School District. The results of our tests disclosed that the following areas were not in compliance with the regulations of the Commissioner of Education.

Inactive Clubs

There were twenty five clubs that had no financial activity during the current fiscal year. State Education Department Regulations provide that the funds of a discontinued activity shall automatically revert to the account of the general student organization or the student council and shall be expended in accordance with that organization's constitution.

Recommendation

We suggest that a determination of the status of the inactive clubs be made to determine the proper disposition of funds.

Response:

At the end of each fiscal year a determination of the status of any inactive clubs is made by the Extraclassroom Activity Fund Treasurer. This year the number of clubs without financial activity increased from seventeen to twenty-one (up from six two years ago). We believe that this number would have been much lower if COVID-related protocols and limitations were not impacting the abilities of clubs to fundraise on campus.

The Treasurer follows Edgemont UFSD Board-approved guidelines that provide that the Treasurer may wait until the second year before closing out clubs with no financial activity. In the District's experience, some student clubs may not have financial activity in one year but may during the second year. All clubs that have not had any activity at the end of two years have historically been closed following this recommendation.

Additionally, on August 17, 2021, the Board of Education passed a resolution approving an exception to the Board policy regarding the closure of student activities fund accounts. This resolution approves an exception due to the COVID-19 pandemic to the allow ESAF club accounts which had no financial activity during the 2019-2020 and 2020-2021 school year to remain open for the 2021-2022 school year. Thereafter, any ESAF club account with no financial activity during the 2019-2020, 2020-2021, and 2021-2022 school years will be closed as of June 30, 2022.

- **Special Purpose Fund**

Inactive Trusts

The Special Purpose Fund is used to account for assets held by the School District in accordance with the terms of an agreement. Our audit of the activity of this fund indicated that five of these accounts had no financial activity for the entire fiscal year.

Recommendation

We recommend that the School District analyze the balances and review the purposes of these funds so that a determination may be made as to the proper disposition of the funds. Should it be determined that these amounts are no longer required to be held in the Special Purpose fund, a Board of Education resolution should be approved transferring these amounts to the General Fund.

Response:

The five accounts without transactions this year are as follows:

- TE22 – Elementary Circus
- TE63 – Wrestling Club
- TE92 – Superior Vending
- TE93 – Student Government
- TE94 – Science Gift Code

Accounts TE22, TE63, TE92, and TE93 had no activity this past year as a result of our response to COVID-related protocols and procedures. It is anticipated that each of these accounts will have activity in the 2021-2022 school year.

Activity within the TE94 account has already occurred in the 2021-2022 school year. As such, we maintain that this account should remain open at this time. Efforts to expunge this account prior to requesting taxpayer funding for future expenditures in the Jr./Sr. High School Science Department are ongoing.

- **Capital Projects Fund**

Project Length Schedule from Inception

Capital projects funds account for the construction, rehabilitation, and acquisition of capital assets, such as buildings, infrastructure and equipment. A financial reporting vehicle is needed to demonstrate compliance with legal and contractual provisions for the projects and to track expenditures which may span several fiscal years.

The Capital Projects Length Schedule provides such a mechanism. Many School Districts establish an annual capital improvement program and include the programs in their annual operating budget. The District needs to ensure that budgetary compliance is demonstrated in their financial reports, especially when debt is issued for construction or purchases. The

District did not prepare the current year Capital Projects Fund project length schedule.

Recommendation

The District should assign an individual to prepare the recommended schedule for the School's annual appropriation budgets for capital projects. The project length schedule should include the following components:

- Original adopted budget by project or related projects that may be combined under a single authorization by the board.
- Any amendments to the original budget
- Prior years expenditures to date
- Current year expenditures, that agree to the general ledger,
- Prior year revenues to date received by type, inclusive of Federal, State grants or bond proceeds
- Current year revenues, which agree to the general ledger,
- Prior year fund balance
- Current year fund balance for each project

Response:

The District will comply with the above recommendations related to the Capital Project Length schedule, both for the active projects and for those that will begin this year as a result of the recently approved capital bond and associated bond anticipation note.

The Capital Project Length schedule for all active projects will be completed prior to June 30, 2022 and subsequently by the same date each year that follows.

Inactive Projects

The lack of financial activity in a capital project over an extended period of time may be an indication of the project's completion.

Recommendation

Upon determination that a capital project has been completed, the governing board of Education should pass a resolution noting this and direct the disposition of unexpended proceeds. If the unexpended balance of the project consists of money provided from obligations, its use will be restricted to the payment of outstanding indebtedness. If the remaining balance consists of a return of contribution from an operating fund, it should be returned to that fund to be used for a lawful purpose.

Response:

The District will ensure that with the completion of all capital projects a Board resolution will be passed noting the closure while identifying the disposition of any unexpended proceeds if they exist.

On September 14, 2021, the Board of Education approved a resolution to transfer the unexpended proceeds from the “Various District Wide Improvements (Including Seely Place Fire Alarm)” project to the “Seely Place Lavatories – Phase II” project to fund the payment of outstanding indebtedness.

Two additional resolutions will be placed on the October 26, 2021 Board of Education agenda to close out two of the three active projects. Namely, the “Various District Wide Improvements (Including Seely Place Fire Alarm)” project with unexpended funds totaling \$19,125 to be returned to the General Fund, and the “Seely Place Lavatories – Phase II” project with no unexpended funds remaining.

All inactive projects as of May 31, 2022 will be closed via resolution by June 30, 2022.

- **Capital Projects Fund**

Capital Assets Identification and Year Ending Reporting to Asset System, Inc.

The District should consider a written policy for capital assets to address maintenance and performance. A written policy, adopted by the governing board, should communicate management’s objectives. The policy should spell out the duties, records and procedures required to achieve these objectives. It should set general procedures and overall requirements for protecting the District’s capital assets.

One person (a “property control manager”) should be responsible for tracking the capital assets of the District and for the accuracy and usefulness of the asset records. These procedures should be in writing and should be distributed to the people who will be involved in the control and inventory of assets to ensure accuracy of detail records and proper accountability for assets. Department heads are usually designated as custodians.

The Following should be reported to Assets Systems Inc. prior to the year-end close out:

- description of the item, including make, model and serial numbers
- Assigned identification number (when appropriate);
- Purchase date, amount, vendor and voucher number;
- Department having custody and the location within the department; and
- Source of funds used to purchase the item (particularly important when debt is issued for construction projects or purchases.)

Recommendation

We suggest the District implement the above recommendations to ensure accurate records and timely acquisition and disposal of capital assets as well as timely reporting of

construction in progress to be placed in service.

Response:

The Board of Education does have a written policy for capital assets ([Policy #2310 – Fixed Assets Policy](#)). The Board of Education Policy Committee will consider whether revisions to this policy are necessary based on the recommendations above.

The District will evaluate its current practice regarding the management of the fixed asset tracking spreadsheet and current assignment of its “property control manager” by March 1, 2022.

The District will continue to utilize the services of Assets Systems Inc. to reconcile and depreciate assets according to required schedules. The district will provide the necessary information to Assets Systems Inc. on or before June 1, 2022 and on by the same date each subsequent year.