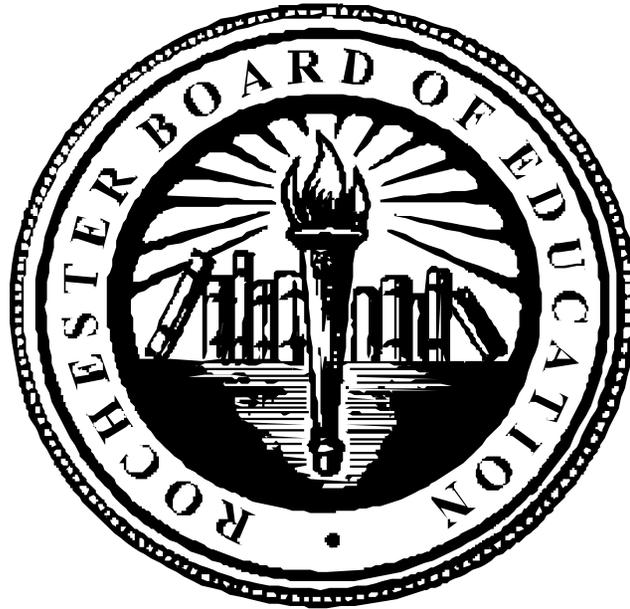


OFFICE OF AUDITOR GENERAL



Student Activity Funds Administration
FOLLOW UP



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Student Activity Funds Administration Executive Summary

OBJECTIVE

To follow up on management's actions taken in response to our audit on the administrative monitoring process for Student Activity Funds performed by Central Office Administration.

BACKGROUND

Student Activity Funds are defined in the Regulations of the Commissioner of Education as "funds raised other than by taxation, or through charges of a Board of Education, for, by or in the name of a school, student body, or any subdivision thereof. Student Activity Funds are those operated by and for the students. Monies are usually collected voluntarily by pupils and are spent by them as they see fit, in compliance with established regulations." The District has formalized SAF expectations in the Accounting section of the Business Services Procedures and Reference Manual. Schools should be familiar with those guidelines. Business procedures should exist to safeguard the collection, deposit, and disbursement of monies. While SAF's are operated at the school building Administrative monitoring takes place in Accounting.

SCOPE

We assessed the adequacy of management's actions to complete improvements and resolve issues identified in our 2010 Audit. We evaluated current operating guidance provided to schools with Student Activity Funds for the administration and recordkeeping of student funds. We also reviewed management monitoring controls to ensure funds are appropriately managed at the school level.

We evaluated the District compliance with established regulations and best practices for Student Activity Funds. Management provided revised completion dates for any Audit recommendations that remain open.

CONCLUSION

Since our original audit, SchoolCash.NET enhanced Student Activity Fund bookkeeping software was implemented in the Fall of 2010 and is fully utilized in the management of District Student Activity Funds and Elementary Activity Accounts. Accounting has increased training for school based staff and improved monitoring controls over bank account reconciliations and sales tax returns. However, adequate procedures to identify and trend club level financial and procedural violations are still lacking.

The District appropriately adopted the Regulations of the Commissioner of Education's Pamphlet 2 as its formal procedures for administering Student Activity Funds in Secondary schools and Elementary Activity Accounts in Elementary. We still recommend that management provide simplified step by step compliance guidance for school based staff and students to easily understand. Board Policy or Superintendent Regulation for Student Activity Funds and Elementary Activity Accounts that complies with Pamphlet 2 still has not been established. Additionally, reports on the purpose of the funds, fundraising activities, how funds were used, student achievements or accomplishments are not reported to the Board.



Student Activity Funds Administration Summary of Recommendations

Rec #	Follow Up Status	Recommendations
1	<i>Partially Completed</i>	<i>Establish a Board Policy and Superintendent Regulations for Student Activity and Elementary Activity Funds.</i>
2	<i>Partially Completed</i>	<i>Update the Procedures Manual for Student Activity Funds and Elementary Activity Accounts to include the Accounting Department's responsibilities. Develop standardized forms for all components of SAF/EAA and ensure all pertinent information and signatures are included. Consider redesigning the manual to provide simplified instructions to ensure ease of use.</i>
3	<i>Partially Completed</i>	<i>Develop an independent reporting process at the school level for Student Activity Funds and Elementary Activity Accounts which provides information to the Board of Education including but not limited to the purpose of the funds, fundraising activities, how the funds were used, achievements or accomplishments.</i>
4	<i>Partially Completed</i>	<i>Enforce compliance with the procedures and controls established in the Procedures Manual for Student Activity Funds and Elementary Activity Accounts. Develop monitoring procedures to ensure compliance with established procedures. Pursue disciplinary action for schools that continue to disregard District procedures.</i>
5	<i>Open</i>	<i>Develop a formal process to document and communicate errors in the financial data and violations noted during the review process. Trend the errors and violations to identify common issues and violators. Develop methods to remediate these issues.</i>
6	<i>Open</i>	<i>Redesign the Self Assessment Review questionnaire to align with the Procedures Manual for Student Activity Funds and Elementary Activity Accounts. Perform Self Assessment Reviews earlier in the school year so needed changes can be implemented sooner. Develop a formal process to provide feedback to the schools regarding the results of the Self Assessment Reviews. Consider requiring the schools to perform their own Self Assessment Review as well.</i>



Student Activity Funds Administration Summary of Recommendations

Rec #	Follow Up Status	Recommendations
7	<i>Completed</i>	<i>Utilize the accounting system to its full potential. Consider the need to invest in updated software if available funds exist.</i>
8	<i>Completed</i>	<i>Provide additional training for the operations of Student Activity Funds and Elementary Activity Accounts.</i>
9	<i>Open</i>	<i>Ensure the schools are complying with the Regulations of the Commissioner of Education regarding student involvement in the operations of Student Activity Funds.</i>



Student Activity Funds Administration Observations, Recommendations and Action Plans

OBSERVATION #1

Board Policies

The Regulations of the Commissioner of Education prescribe that the Board of Education make rules and regulations for (1) the conduct, operation and maintenance of extra classroom activities and (2) for the safeguarding, accounting and auditing of all monies received and derived therefrom. The Board of Education has not established policies surrounding the Student Activity Funds or the Elementary Activity Accounts, nor is there a Superintendent's Regulation. A procedures manual has been established by the Accounting Department. The Board of Education should establish policies, and require written Superintendent Regulations, for Student Activity Funds and Elementary Activity Funds to ensure compliance with the Regulations of the Commissioner of Education.

RECOMMENDATIONS and FOLLOW UP

Establish a Board Policy and Superintendent Regulations for Student Activity and Elementary Activity Funds.

FOLLOW UP STATUS: PARTIALLY COMPLETED

The District has not established a Board Policy or Superintendent Regulation for Student Activity Funds and Elementary Activity Accounts that comply with the Regulations of the Commissioner of Education as documented in Pamphlet 2. A draft Board Policy has been presented to the CFO and General Counsel for preliminary review and approval which then will be forwarded to the Policy Committee for adoption. However, the proposed policy lacks terminology to cover requirements such as conduct, operation and maintenance of SAF/EAA's, as well as the safeguarding, accounting and auditing of all monies received and derived from SAF/EAA's. A Superintendent Regulation has not been drafted.

Due Date: December 31, 2012



Student Activity Funds Administration Observations, Recommendations and Action Plans

OBSERVATION #2

Procedures Manual

In the summer of 2009, the Accounting Department created and implemented a Procedures Manual for Student Activity Funds and Elementary Activity Funds. The following issues were noted regarding the structure and content of this manual:

- The manual is not structured to provide clear processes and operating procedures. For example, to obtain the entire disbursement process, an individual would have to refer to disbursements, management of funds, prohibited expenditures, and the roles and responsibilities of the Student Activity Treasurer, Club Advisor and the School Treasurer.
- The manual lacks standard forms for requesting a new SAF or EAA. All forms should provide adequate guidance to ensure proper compliance. This would include all required signatures and supporting information.
- The Accounting Department's responsibilities are not specified in detail in the Procedures Manual for SAF/EAA.

The Procedures Manual for Student Activity Funds and Elementary Activity Accounts should be clear and concise, and structured to ensure ease of compliance. This would assist the user to better understand the expectations for SAF/EAA operations. Standardized forms should be developed for all SAF functions and all pertinent information should be included on these forms to ensure requirements are being fulfilled. The Accounting Department's duties should be specified in detail in the manual to ensure that is a clear delineation of responsibilities.



Student Activity Funds Administration Observations, Recommendations and Action Plans

RECOMMENDATIONS and FOLLOW UP

Update the Procedures Manual for Student Activity Funds and Elementary Activity counts to include the Accounting Department's responsibilities. Develop standardized forms for all components of SAF/EAA and ensure all pertinent information and signatures are included. Consider redesigning the manual to provide simplified instructions to ensure ease of use.

FOLLOW UP: PARTIALLY COMPLETED

Accounting has developed a Reference Guide for SAF/EAA in 2012 that has not yet been distributed to SAF/EAA participants. Updated procedures were greatly streamlined from 46 to 9 pages and now refers to NYSED's Pamphlet 2 as the District's procedures for administering SAF's & EAA's, except as noted within the reference guide. Accounting's Reference Guide and several District SAF/EAA forms appears to still be in draft; as there were several procedures or essential compliance requirements missing or incomplete. Accounting's responsibilities are now included within the reference guide, but is not inclusive of all necessary responsibilities.

Pamphlet 2 has been approved by the State Education Department and meets the requirements of the Regulations. However, it is a very comprehensive manual and is not structured in a format that is very easy for non-financial users to follow. As a result, we maintain that Accounting's Reference Guide should provide clear and concise steps (like a cheat sheet) for schools to easily understand SAF/EAA compliance requirements.

Due Date: February 1, 2013



Student Activity Funds Administration Observations, Recommendations and Action Plans

OBSERVATION #3

Reporting

On a quarterly basis, the Accounting Department provides a report to the Board of Education of all District Student Activity Fund and Elementary Activity Account financial activity including balances, total receipts, total disbursements and total adjustments and transfers. An annual report is also prepared by the Accounting Department which is a summary the four quarterly reports. The Board does not receive supporting information about the Student Activity Funds or the Elementary Activity Accounts such as the purpose of the funds, fundraising activities, how the funds were used, achievements or accomplishments. The Board should be provided with not only financial information, but detailed information regarding each fund and its activities. This would provide the Board with visibility regarding the activities involved with Student Activity Funds and Elementary Activity Accounts and the nature of the receipts and disbursements.

RECOMMENDATIONS and FOLLOW UP

Develop an independent reporting process at the school level for Student Activity Funds and Elementary Activity Accounts which provides information to the Board of Education including but not limited to the purpose of the funds, fundraising activities, how the funds were used, achievements or accomplishments.

FOLLOW UP STATUS: PARTIALLY COMPLETED

Accounting partially complies with State Student Activity Funds reporting requirements. In compliance with Part 172.3 (b), the Accounting Department assembles a quarterly report of receipts and expenditures that is reported to the Board of Education. Accounting does not publish a report of approved extracurricular activities that would provide learning experiences gained, types of activities performed, and the uses of funds. Accounting's annual review and approval of signed club information and authorization forms for all operating clubs reported is not consistently performed. As a result, we maintain our original audit recommendation that management reports the purpose of the funds, fundraising activities, how the funds were used, achievements or accomplishments. This would ensure RCSD's compliance with SAF/EAA reporting requirements and evidence the student learning experiences gained.

Due Date: December 31, 2013



Student Activity Funds Administration Observations, Recommendations and Action Plans

OBSERVATION #4

Monitoring

The new Procedures Manual for Student Activity Funds and Elementary Activity Accounts define the procedures to be followed but lacks monitoring procedures to ensure compliance. Consequences do not exist for noncompliance with District procedures regarding SAF/EAA. Management should be enforcing the procedures and controls established in the Procedures Manual for Student Activity Funds and Elementary Activity Accounts, as well as ensuring compliance. Monitoring and ramifications should exist for schools with recurring compliance issues to facilitate compliance with District procedures. Without adequately enforcing compliance with established procedures, the effectiveness of these procedures is diminished.

RECOMMENDATIONS and FOLLOW UP

Enforce compliance with the procedures and controls established in the Procedures Manual for Student Activity Funds and Elementary Activity Accounts. Develop monitoring procedures to ensure compliance with established procedures. Pursue disciplinary action for schools that continue to disregard District procedures.

FOLLOW UP STATUS: PARTIALLY COMPLETED

Accounting has increased its monitoring controls over SAF/EAA activities by performing bank account reconciliations for all SAF/EAA accounts and provides a list of noncompliant schools in the quarterly report to the Board of Education as well as communication to the Zone Chief. This function also enables them to validate the propriety of sales tax application. Accounting's reconciliation procedures satisfies Pamphlet 2's requirement of monthly reviews of all account balances. However, they continue to not comply with the requirement to review ledgers kept by the activity treasurer at least twice a year and they do not examine various transactions and paperwork to determine if correct procedures are being used. Accounting lacks procedures to monitor SAF/EAA compliance with establishment of clubs, inventory, student/advisor treasury receipting, and student/advisor record keeping. These areas inherently expose SAF/EAA funds to possible misappropriation and should be monitored.

Due Date: February 1, 2013



Student Activity Funds Administration Observations, Recommendations and Action Plans

OBSERVATION #5

Trending

On a quarterly basis, the Accounting Department reviews the schools' financial information for Student Activity Funds and Elementary Activity Accounts. During the review, they encounter numerous errors in the financial data, as well as violations against policies. Errors and violations are not formally documented, nor are they trended to determine common issues. All errors and violations should be documented when reviewing the quarterly financial information. They should then be tracked by school and violation. Trending violations and errors could identify common issues and violators which would aid in determining additional training or disciplinary action. Consider communicating the issues to School Chiefs to facilitate improvement.

RECOMMENDATIONS and FOLLOW UP

Develop a formal process to document and communicate errors in the financial data and violations noted during the review process. Trend the errors and violations to identify common issues and violators. Develop methods to remediate these issues.

FOLLOW UP STATUS: OPEN

Accounting still does not have a formal process in place to document, evaluate or trend financial reporting, compliance and process violations identified. Current monitoring procedures only identify bank reconciliation errors performed by the School Treasurer. Accounting lacks adequate procedures to identify and trend club level financial and procedural violations.

Due Date: February 1, 2013



Student Activity Funds Administration Observations, Recommendations and Action Plans

OBSERVATION #6

Self-Assessment Reviews

In May 2009, the Accounting Department performed "Self Assessment Reviews" of Student Activity accounts for four schools. A Self Assessment Questionnaire is located in the appendix of the Procedures Manual for Student Activity Funds and Elementary Activity Accounts. The following issues were noted regarding the Self Assessment Reviews performed by the Accounting Department:

- The questionnaire does not follow the Procedures Manual for Student Activity Funds and Elementary Activity Accounts.
- The review was performed at the end of the school year.
- The Self Assessment Reviews were incomplete and all questions were not answered.
- There was a lack of formal and comprehensive feedback to ensure the schools were aware of the issues noted, so they could be remedied.

The Self Assessment Reviews should be complete and the results should be formally communicated to the schools and the individual funds reviewed. These reviews should be completed earlier in the school year, so changes can be implemented sooner, as needed. Schools should be required to perform Self Assessment Reviews and these reviews should be submitted to the Accounting Department for their review and follow-up. Self Assessment Reviews, when used as intended, would be valuable to schools and allow them to become aware of their noncompliance with established procedures.



Student Activity Funds Administration Observations, Recommendations and Action Plans

RECOMMENDATIONS and FOLLOW UP

Redesign the Self Assessment Review questionnaire to align with the Procedures Manual for Student Activity Funds and Elementary Activity Accounts. Perform Self Assessment Reviews earlier in the school year so needed changes can be implemented sooner. Develop a formal process to provide feedback to the schools regarding the results of the Self Assessment Reviews. Consider requiring the schools to perform their own Self Assessment Review as well.

FOLLOW UP STATUS: OPEN

Accounting discontinued performing self-assessment reviews after our audit in 2010. Self-assessment forms have been redesigned by Accounting; however the revised assessments do not align with the procedures manual and lacks instructions for schools to determine the effectiveness of their program. The revised forms are currently published in the SharePoint SAF document library and are expected to be rolled out to schools with the start of the 2012-13 school year. Self-assessments are now expected to serve as a tool for schools to evaluate their own SAF/EAA programs. Revised procedures do not require schools to complete annual Self-Assessment Questionnaires and schools are not required to provide completed evaluations to Accounting for review or approval. As designed, this process will not assist schools or Accounting in identifying SAF/EAA non-compliance.

Due Date: February 1, 2013



Student Activity Funds Administration Observations, Recommendations and Action Plans

OBSERVATION #7

System Utilization

The accounting system utilized for SAF/EAA does not provide functionality to efficiently track Student Activity Funds and Elementary Activity Accounts, nor does it provide adequate reporting. Functions that the system does provide are underutilized. The system does not allow for all schools and Accounting to be networked, nor can it generate district-wide consolidated reports. Therefore, the quarterly and annual reporting process to the Board of Education is manual and time consuming. An updated system which allows networked access could provide efficiencies in the reporting process and ultimately decrease the time it takes to prepare quarterly reports. This could also expedite the review process. It should also be noted that different versions of the software are being utilized across the schools and each school and user has the same user ID and password. This system is not supported by the District's Information Management & Technology department. The accounting system should be utilized to its full potential or the District should consider the need to invest in updated software if available funds exist.

RECOMMENDATIONS and FOLLOW UP

Utilize the accounting system to its full potential. Consider the need to invest in updated software if available funds exist.

FOLLOW UP STATUS: COMPLETED

The District has implemented new SAF/EAA bookkeeping software, SchoolCash.NET, in Fall 2010. The new software provides cash receipt, deposit, disbursement, transfer and bank reconciliation features which are all fully utilized in the management of District Student Activity Funds. The system's design is more user friendly, reporting tools are enhanced and security controls are more effective.



Student Activity Funds Administration Observations, Recommendations and Action Plans

OBSERVATION #8

Training

Compliance issues were identified throughout our audit at the schools selected for testing. We assessed the school's operations, compliance and controls regarding SAF/EAA. We noted compliance issues for establishing accounts, renewing accounts, meetings, fundraising, sales tax, inventory, cash receipts, cash disbursements, transfers, record keeping and bank reconciliations. Each of the schools tested had control issues for cash receipts, cash disbursements and inventory. In consideration of all the compliance and control issues noted, it appears that the schools need additional training on the operation of Student Activity Funds and Elementary Activity Accounts. Additional training provided to the schools would aid in ensuring compliance with established procedures and internal control processes. We have included a complete listing of the specific findings in Attachment A.

RECOMMENDATIONS and FOLLOW UP

Provide additional training for the operations of Student Activity Funds and Elementary Activity Accounts.

FOLLOW UP STATUS: COMPLETED

Accounting has increased the frequency and availability of SAF/EAA training for school treasurers and club advisors.



Student Activity Funds Administration Observations, Recommendations and Action Plans

OBSERVATION #9

Student Involvement

Student Activity Funds are "funds raised other than by taxation or through charges of a board of education, for, by or in the name of a school, student body or any subdivision thereof." They are funds that are operated by and for the benefit of the students. Our audits of the schools revealed that there is an overall lack of student involvement in the operations of the Student Activity Funds. In most cases, the Club Advisor is maintaining SAF records and ledgers, not the student. The Regulations of the Commissioner of Education were formulated not only to safeguard the funds of the school, but to provide schools with the opportunity to teach pupils good business procedures through participation in handling such funds and operating a successful business. For the schools selected for testing, it does not appear that the students are benefiting from this opportunity. The risk of noncompliance with the Regulations of the Commissioner of Education exists with the lack of student involvement in the operations of Student Activity Funds.

RECOMMENDATIONS and FOLLOW UP

Ensure the schools are complying with the Regulations of the Commissioner of Education regarding student involvement in the operations of Student Activity Funds.

FOLLOW UP STATUS: OPEN

The District continues to lack monitoring procedures to ensure that students are actively involved in the operations of Student Activity Funds.

Due Date: February 1, 2013