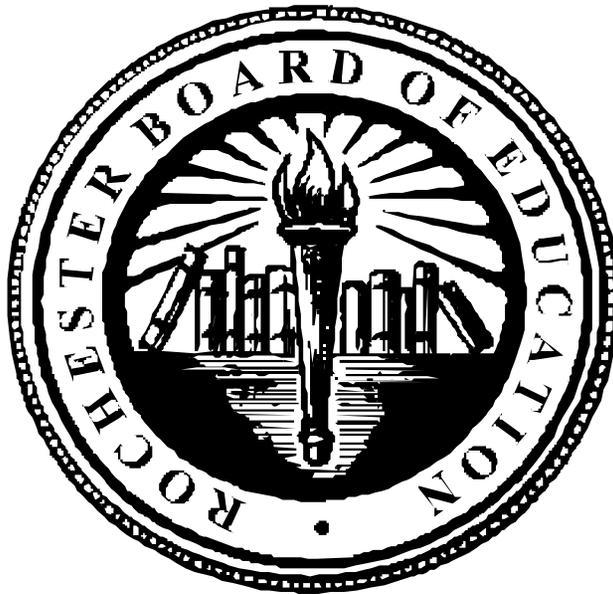


OFFICE OF AUDITOR GENERAL



Cash Operations School 28 Audit Report



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Cash Operations School 28 Executive Summary

OBJECTIVE

To assess school operating protocols, procedures, documentation, oversight, and compliance for cash related activities in Elementary Activity Accounts and other cash activities.

BACKGROUND

School-based cash operations consist of Elementary Activity Accounts (EAA) and other cash related activities. EAAs can only be established at elementary schools. These accounts are intended to be used for school-related activities that result in a benefit to students. EAAs must comply with all of the rules and responsibilities of Student Activity Funds, except for student officers who are not required due to the young age of the students. They are reported on the quarterly report to the Board of Education. Non-EAA activities consist of operations where cash or cash related items are exchanged but are not considered an educational opportunity for the student such as cafeteria, and Purchasing Card (P-Card) expenditures.

SCOPE

We reviewed controls over Cash Management areas, including Elementary Activity Funds and other cash activities for the 2011-12 school year.

CONCLUSION

School 28 Cash Management practices did not result in any identifiable financial loss; however, School Administration did not comply with District procedures and monitoring over cash. School 28 Administration should enforce EAA requirements that provide proper cash controls such as: profit and loss statements, internal deposit slips and approvals, check request forms or documentation regarding approval to pay, and regular reconciliations against club receipts and their transaction logs. P-Card control activities were complied with regarding documentation and support for transactions. However, controls in other non-EAA areas, such as the cafeteria funds and music department activities were not effective. School Administration and staff should increase awareness of and monitoring over cash handling, keeping cash locked, use of pre-numbered receipts for cash collection tracking, use of dual signatures for exchanges of cash, and regular reporting on inventory balances and changes. We would like to acknowledge the Principal and School Treasurer for their efforts to establish a control environment that complies with District standards. One recommendation was immediately implemented when it was brought to their attention.



Cash Operations School 28 Summary of Recommendations

Rec#	Recommendations
1	<i>Require Activity Advisors to utilize the RCSD "Profit and Loss Statement" forms for each fund raising activity. Perform and document School Treasurer and Principal review of the Profit and Loss Statements for reasonableness.</i>
2	<i>Report and remit sales tax due on t-shirts purchased for student use.</i>
3	<i>Require the School Treasurer and Activity Advisors to count funds upon receipt and sign a deposit slip. Also require school personnel to consistently use receipt books and submit funds on hand greater than \$100 for the School Treasurer to deposit timely.</i>
4	<i>Utilize a properly signed check request document or require the Activity Advisor to document approval for payment by signing off and dating the invoice when disbursements are requested.</i>
5	<i>Require Activity Advisors to maintain a complete set of financial transactions. Reconcile Activity Advisor records to the School Treasurer's books in order to detect any discrepancies.</i>
6	<i>Require all school personnel with inventory to track purchases, sales and uses of inventory. Perform physical counts of inventory on hand to reconcile sales reported and balances on hand.</i>
7	<i>Implement periodic monitoring controls over cash activities and inventory items throughout the school building, including inspection of receipts and inventories, and review of documentation.</i>
8	<i>Obtain a District Vending Contractual Agreement in compliance with the District Wellness Policy. Consider operating practices and commissions in negotiations.</i>



Cash Operations School 28 Observations, Recommendations and Action Plans

OBSERVATION: #1

EAA - Fundraising Compliance

The RCSD procedures manual for Student Activity Funds and Elementary Activity Accounts provides guidance and forms for conducting activities related to fundraising and maintaining fundraising accounts. School 28 did not consistently comply with all fundraising guidelines. Although the activities were appropriately approved by the Principal, Advisors did not prepare Profit and Loss statements to reflect event expenditures and receipts for each activity. The School Treasurer and Principal should review Profit and Loss statements to ensure that all activities are accounted for.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Require Activity Advisors to utilize the RCSD "Profit and Loss Statement" forms for each fund raising activity. Perform and document School Treasurer and Principal review of the Profit and Loss Statements for reasonableness.

Management Responses:

When the Activity Advisor requests approval for a fundraising event, we will establish a procedure that will identify the formal time(s) the Activity Advisor must report the status of the fundraiser to the Principal and School Treasurer. We will also identify when the "Profit and Loss Statement" must be submitted.

Responsibility: Susan Ladd, Principal School #28

Due Date: September 1, 2012



Cash Operations School 28 Observations, Recommendations and Action Plans

OBSERVATION: #2

Sales Tax Remittance

The RCSD procedures Manual for Student Activity Funds and Elementary Activity Accounts defines the appropriate criteria for determining when sales tax must be recorded and collected. Generally, purchases for EAA consumption are taxable. While school 28 reasonably considers sales tax in its EAA operations and reports the related tax due to New York State in the SchoolCash.NET system, there was one exception in which sales taxes were not paid. There was a purchase of school t-shirts for student use on fieldtrips in which sales tax due on this purchase was not reported in SchoolCash.NET. This purchase should be corrected to ensure that proper taxes are remitted.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Report and remit sales tax due on t-shirts purchased for student use.

Management Responses:

We have consistently made efforts to comply with the sales tax requirements. In this case we did not realize that the t-shirts were sales tax eligible. We have entered the appropriate tax in the SchoolCash.NET system and communicated with Accounting to ensure the tax was remitted in compliance with requirements.

Responsibility: Susan Ladd, Principal School #28

Due Date: COMPLETED



Cash Operations School 28 Observations, Recommendations and Action Plans

OBSERVATION: #3

Cash Receipts

School 28 Activity Advisors are not using internal deposit slips or alternative documentation to evidence funds remitted to the School Treasurer, in compliance with procedures. The School Treasurer generates system receipts when deposits are recorded in SchoolCash.Net but does not consistently provide them to Activity Advisors, nor signs them. We noted that the School Treasurer generally deposits funds timely; although there was one occurrence where this did not occur. In addition, Activity Advisors maintained funds in classrooms, as opposed to remitting them to the School Treasurer. Pre-numbered receipt books were also not consistently used when money was collected. This practice was evident for other school related collections, such as the Instrument Deposits and Fundraisers. When money is collected, the school should consider using locked cash bags or boxes to secure funds until they are counted. Non-adherence to RCSD Cash handling procedures exposes the school to financial loss, as all transactions are not documented, verified or deposited timely.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Require the School Treasurer and Activity Advisors to count funds upon receipt and sign a deposit slip. Also require school personnel to consistently use receipt books and submit funds on hand greater than \$100 for the School Treasurer to deposit timely.

Management Responses:

We have already implemented locked bags in the event that cash is stored in the safe and not counted upon receipt. The key is maintained by the person providing funds to the School Treasurer. We will provide and implement pre-numbered receipt books for activities in which cash is collected. Signed system receipts will also be provided to Activity Advisors when deposits are recorded into SchoolCash.NET system.

Responsibility: Susan Ladd, Principal School #28

Due Date: September 1, 2012



Cash Operations School 28 Observations, Recommendations and Action Plans

OBSERVATION: #4

Approved Disbursement Requests

School 28 does not use check request forms for processing EAA payments and Activity Advisors do not signoff to acknowledge approval of third party vendor invoices and receipts submitted for payment. RCSD procedures for Student Activity Funds and Elementary Activity Accounts states that the School Treasurer shall have no part in the approval of payments, but shall disburse funds only on the presentation of a properly signed check request. This practice is intended to provide independence in the disbursement process and ensures that one person does not control the entire disbursement.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Utilize a properly signed check request document or require the Activity Advisor to document approval for payment by signing off and dating the invoice when disbursements are requested.

Management Responses:

We previously utilized a signed invoice to request disbursements; however there were instances in which an invoice was not available. Going forward, we will require the check request form for all disbursements, to eliminate any inconsistencies in our process.

Responsibility: Susan Ladd, Principal School #28

Due Date: September 1, 2012



Cash Operations School 28 Observations, Recommendations and Action Plans

OBSERVATION: #5

Bookkeeping Records

RCSD bookkeeping requirements, as specified in the Procedures Manual for Student Activity Funds and Elementary Activity Accounts stipulates that two separate and independent set of records should be maintained for receipts and expenditures. One set should be maintained by the School Treasurer and the second set by the Activity Advisor. These books should reconcile with each other. The Activity Advisors are not complying with the bookkeeping requirements. One Activity Advisor maintained their own set of records; however, the year to date transaction log could not be reconciled to the School Treasurer's books. Without reconciliation, discrepancies regarding actual cash activities that occurred and cash activities reported would go undetected.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Require Activity Advisors to maintain a complete set of financial transactions. Reconcile Activity Advisor records to the School Treasurer's books in order to detect any discrepancies.

Management Responses:

We will require the Advisors to maintain a complete set of books for their financial transactions. We are also in the process of implementing a 6th Grade Leadership Team at our school. We will evaluate the feasibility of teaching the 6th grade leaders to record and report the transactions for the Advisor's records. The Advisors will be responsible for reconciliation to the School Treasurer.

Responsibility: Susan Ladd, Principal School #28

Due Date: September 1, 2012



Cash Operations School 28 Observations, Recommendations and Action Plans

OBSERVATION: #6

Inventory Monitoring

Inventory items held for resale must be adequately safeguarded in a secure location and properly accounted for, including an accounting and reconciliation of amounts on hand at all times. School 28 did not maintain consistent inventory practices to ensure that inventories are safeguarded and properly accounted for. The Ice Cream Activity does not track inventory purchases, sales or giveaways. It was also noted that the Ice Cream Club and Club 201 do not perform physical inventory counts. Although the Map Club logged inventory of gift sales it did not track Entertainment Book inventory. Lastly, we noted that there was no school inventory of Music Instruments.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Require all school personnel with inventory to track purchases, sales and uses of inventory. Perform physical counts of inventory on hand to reconcile sales reported and balances on hand.

Management Responses:

We will identify and implement a feasible process for school staff with responsibility for inventory to track purchases and sales. We anticipate establishing a process that could be used as a teachable moment for the students and involve the students in counting inventory while utilizing checklists, wall charts and graphs.

Responsibility: Susan Ladd, Principal School #28

Due Date: September 1, 2012



Cash Operations School 28 Observations, Recommendations and Action Plans

OBSERVATION: #7

Monitoring and Oversight

Effective monitoring and oversight should be improved for school-based cash collections. When cash is collected for various school related purposes, Administration should monitor school personnel with responsibility for cash and inventory. Administration should understand what monies are collected for, when collections occur, and ensure timely and complete deposits are made. Although cash is periodically remitted to the School Treasurer, there is a lack of procedures to ensure significant cash is not unsecured in the school building. We noted a lack of oversight and awareness for Music Instrument deposits and fundraising activities. If cash related activities are occurring, supporting documentation and cash receipts should be periodically requested to ensure collections are reasonable and excessive cash is not maintained throughout the school building.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Implement periodic monitoring controls over cash activities and inventory items throughout the school building including inspection of receipts and inventories, and review of documentation.

Management Responses:

We will expand school based controls and implement periodic monitoring procedures over cash activities and inventory items throughout the school building. These procedures will include periodic inspection of receipts and inventories, as well as review supporting documentation.

Responsibility: Susan Ladd, Principal School #28

Due Date: September 1, 2012



Cash Operations School 28 Observations, Recommendations and Action Plans

OBSERVATION: #8

Vending Machine Contract

A district vending agreement does not exist for vending sales. As a result, schools have individual contracts, inventory management and commission agreements for vending. Currently, the district is in a discovery phase in obtaining an inventory of vending services, but does not include total sales dollars. Schools have been left to define their own relationships with vending machine services, with or without contracts, potential commission payments, various stocking and inventory arrangements, terms for student use, and compliance with regulatory requirements. A district-wide approach will facilitate alignment with the Wellness Policy, operating practices and potentially maximize commissions.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Obtain a District Vending Contractual Agreement in compliance with the District Wellness Policy. Consider operating practices and commissions in negotiations.

Management Responses:

A District wide program for vending related services will be offered through multiple vendors consistent with the wellness program for all schools. The program will be in place by the start of school 2012 contingent upon modifications to the wellness regulation 5405-R. Vendor offerings may require revision post implementation.

Responsibility: Gary Smith, Director of Procurement and Supply

Due Date: August 31, 2012