

OFFICE OF AUDITOR GENERAL



Student Activity Funds Administration  
Audit Report

June 4, 2010



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## **Student Activity Funds Administration Executive Summary**

### **OBJECTIVE**

We will evaluate the administrative monitoring process for selected Student Activity Funds at the schools and within 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.

### **SCOPE**

We will evaluate operating guidance provided to schools with Student Activity Funds for the administration and recordkeeping of student funds. We will also review a sample of school funds to determine if appropriate monitoring and bookkeeping is occurring as the school level. Lastly, we will review compliance with respective laws, and District procedures, and best practices.

We will determine if adequate controls have been implemented to limit the District’s exposure to unauthorized disbursement of student funds. We will evaluate the effectiveness of the internal controls, policies and procedures for Student Activity Funds. We will identify opportunities for improvement and issue recommendations to improve the control environment. Management was asked to respond in writing to our recommendations within 30 days.



## **Student Activity Funds Administration Executive Summary**

### **CONCLUSION**

Significant efforts have occurred to provide enhanced guidance to schools regarding Student Activity Funds in Secondary schools and Elementary Activity Accounts in Elementary schools. While formal guidance has been provided in compliance with the Regulations of the Commissioner of Education, additional clarity and simplicity should be provided for users.

Improved training should occur to ensure that all school related personnel understand their responsibilities for Student Activity Funds and Elementary Activity Accounts. Specifically, documentation standards and bookkeeping requirements at schools should be improved. Accounting responsibilities should be formalized and standardized forms would be useful to improve recordkeeping consistency across schools. Formal consistent monitoring should also occur to ensure that procedures are being followed.



## Student Activity Funds Administration Summary of Recommendations

Rec#	Recommendations
1	<i>Establish a Board Policy and Superintendent Regulations for Student Activity and Elementary Activity Funds.</i>
2	<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>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>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>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>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**

<b>Rec#</b>	<b>Recommendations</b>
7	<i>Utilize the accounting system to its full potential. Consider the need to invest in updated software if available funds exist.</i>
8	<i>Provide additional training for the operations of Student Activity Funds and Elementary Activity Accounts.</i>
9	<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 MANAGEMENT RESPONSES

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

**Management Responses:** A draft Board Policy and Superintendent Regulations for Student Activity and Elementary Activity Funds will be written by a team which will include accounting staff and representatives from both elementary and secondary schools. The draft will be reviewed by the CFO and legal to ensure that both comply with the Regulations of the Commissioner of Education. The draft policy and regulations will be submitted for review by the policy committee.

**Responsibility:** Joyce Martelli, Chief Financial Officer

**Due Date:** November 1, 2010



## 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 MANAGEMENT RESPONSES

*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.*

**Management Responses:** The Procedures Manual for Student Activity Funds and Elementary Activity Accounts will be updated to include the Accounting Department's responsibilities. The District will be converting to a new software system early in 2010-11. Additional and existing standardized forms will be considered and developed as needed in conjunction with the implementation of the new software system. The overall structure and content of the manual will be evaluated during the implementation to determine whether a more clear and concise presentation is feasible. Modifications will be made based on this evaluation, if applicable.

[Redacted]

[Redacted]

**Responsibility:** Cerri Cupples, Director of Accounting; Joyce Martelli, Chief Financial Officer

**Due Date:** December 31, 2010



## 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 of 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 MANAGEMENT RESPONSES

*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.*

**Management Responses:** An independent reporting process at the school level for Student Activity Funds and Elementary Activity Accounts will be established by a cross-functional team that will consist of key individuals from accounting, teaching and learning and representatives from the schools. Completion and responsibility for the report will be established within the team. [REDACTED]

**Responsibility:** Joyce Martelli, Chief Financial Officer; Beth Mascittimiller, Deputy Superintendent of Teaching and Learning; Anne Brown Scott, Chief of Schools, Northwest Zone; Deasure Matthew, Chief of Schools, South Zone; Shaun Nelms, Chief of Schools, Northeast Zone **Due Date:** November 1, 2010



## 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.



## Student Activity Funds Administration Observations, Recommendations and Action Plans

### RECOMMENDATIONS and MANAGEMENT RESPONSES

*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.*

**Management Responses:** The Accounting Department discussed with this recommendation with the New York State Education Department to further our understanding. The New York State Education Department regulations prescribe a Board-appointed "Faculty Auditor". While most Districts have not established this position specifically, its duties are typically carried out through other job positions. It is the State's position that someone separate and apart from the functions of handling cash, reconciling the Student Activity Fund accounts, etc. perform these duties. Since the Board-elected Treasury function for the Student Activity Funds resides within the District's Accounting Department, monitoring issues would most appropriately be supported and conducted by someone outside of the Accounting department. The standard at other Districts (such as Syracuse) is that monitoring be conducted by the District's internal audit staff, given the nature of their professional training and their role within the District. This is accomplished through routine school audits. Payment monitoring could be conducted by the Claims Audit Department to ensure all documentation is in compliance with the procedures and controls established in the District's Procedures Manual for Student Activity Funds and Elementary Activity Accounts, prior to approving payment. Compliance deficiencies discovered through these reviews should be communicated by the identifying party to the School Zone Chiefs for enforcement and potential disciplinary action at the school level.

**Responsibility:** Beth Mascittimiller, Deputy Superintendent of Teaching and Learning; Claims Auditor **Due Date:** December 31, 2010



## 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 MANAGEMENT RESPONSES

*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.*

**Management Responses:** During the most recent quarter ending 3/31/2010, the Accounting Department did document and communicate errors in the financial data and violations noted during the review process. The Accounting Department will document and communicate this process to the Zone Chiefs for dissemination to all principals. The current practice is to communicate information first to the secretary and principal, and then if necessary, to the School Zone Chiefs for remediation. We will review the current practice in conjunction with the new proposed Student Activity Fund software for reporting tools that may be useful for trending errors and violations for purposes of identification of common issues and violators.

**Responsibility:** Cerri Cupples, Director of Accounting; Joyce Martelli, Chief Financial Officer

**Due Date:** November 1, 2010



## 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 MANAGEMENT RESPONSES

*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.*

**Management Responses:** The cross-functional team being established for Student Activity Funds and Elementary Activity Accounts will review and evaluate the need and the viability that self-assessments by the schools would have on ensuring compliance with procedures. The Self-Assessment Review questionnaire will be reviewed and changes incorporated into an updated Procedures Manual for Student Activity Funds and Elementary Activity Accounts. The Accounting Department will work with the team to document a process that is compliant with New York State Education Department guidelines.

[Redacted]

**Responsibility:** Cerri Cupples, Director of Accounting; Joyce Martelli, Chief Financial Officer; Anne Brown Scott, Chief of Schools, Northwest Zone; Deasure Matthew, Chief of Schools, South Zone; Shaun Nelms, Chief of Schools, Northeast Zone

**Due Date:** December 31, 2010



## 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 MANAGEMENT RESPONSES

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

**Management Responses:** The Accounting Department has been well aware of the issues regarding the different versions of the software being used and the underutilization of the system. The Accounting Department has been working to identify an updated Student Activity Fund Accounting Software that will meet the needs and the skill level of individuals using this software in the schools. As such, extensive research was conducted in the latter part of fiscal 09/10 in an effort to identify the most suitable and cost effective Student Activity Fund accounting software available that would meet the needs of its end users. The Accounting Department made a recommendation to the Board of Education regarding the acquisition of specific and has been approved. An implementation plan is being completed to incorporate the new software during the first quarter of 2010-11.

**Responsibility** Cerri Cupples, Director of Accounting; Joyce Martelli, Chief Financial Officer      **Due Date:** October 1, 2010



## 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, recordkeeping 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 MANAGEMENT RESPONSES

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

**Management Responses:** The Accounting Department will provide additional training for the operations of Student Activity Funds and Elementary Activity Accounts in conjunction with the implementation of the new accounting software.

**Responsibility:** Cerri Cupples, Director of Accounting; Joyce Martelli, Chief Financial Officer

**Due Date:** December 31, 2010



## 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 MANAGEMENT RESPONSES

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

**Management Responses:** It is the responsibility of the School's Principal to ensure that the schools are complying with the regulations of the Commissioner of Education regarding student involvement in the operation of Student Activity Funds. The School Zone Chiefs should ensure that the Principals uphold their responsibility with respect to student involvement. This information will be communicated to the School Principals and Zone Chiefs.

**Responsibility:** Joyce Martelli, Chief Financial Officer; Anne Brown Scott, Chief of Schools, Northwest Zone; Deasure Matthew, Chief of Schools, South Zone; Shaun Nelms, Chief of Schools, Northeast Zone

**Due Date:** September 1, 2010