



Eastchester Union Free School District

*Report on Internal Controls Pertaining to the
Extraclassroom Activity Fund*

March 2024



Eastchester Union Free School District

Report on Internal Controls Pertaining to the Extraclassroom Activity Fund

March 2024

Table of Contents

Scope of Engagement..... 1

Worked Performed 1

Assessment of Extraclassroom Activity Fund Procedures..... 2

Risk Rating and Opinion..... 7

Exhibits 7

Scope of Engagement

Pursuant to the request of the Eastchester Union Free School District and in accordance with the internal audit plan outlined within the March 2023 Risk Assessment Update, we have reviewed the policies, procedures, and internal controls pertaining to the District’s Extraclassroom Activity Fund (“ECAF”).

The objectives of our audit were to determine whether the internal controls over the District’s Extraclassroom Activity Fund are adequate, assess whether duties are properly performed, and that controls over the Extraclassroom Activity Fund are implemented, and assets are properly safeguarded.

Worked Performed

Our analysis consisted of the following:

1. Examined all of the documents provided to us by the District, including:
 - a. Board approved policies pertaining to the District’s Extraclassroom Activity Fund.
 - b. List of 2023/2024 Club Advisor Stipends.
 - c. Board approved Club Charters for the fiscal year 2022/2023.
 - d. Forms utilized by the Central Treasurers, Club Advisors, and Students to document their Extraclassroom transactions.

***Eastchester Union Free School District
Report on Internal Controls Pertaining to the Extraclassroom Activity Fund
March 2024***

- e. Independent Auditor's Reports on the District's Extraclassroom Activity Fund for fiscal years 2021/2022 and 2022/2023.
 - f. Cash receipts and cash disbursement reports indicating deposits made into the Extraclassroom Activity Fund during the period of July 2023 through November 2023.
 - g. Sample of cash receipts documentation supporting deposits made into the Extraclassroom Activity Fund during the period of July 2023 through November 2023.
 - h. Sample of voucher packets supporting the disbursements made from the Extraclassroom Activity Fund during the period of July 2023 through November 2023.
 - i. Monthly bank reconciliation reports and applicable bank statements and deposit slips maintained by the Central Treasurers during the period of July 2023 through September 2023.
2. Performed initial planning and interviews with the Assistant Superintendent for Business and District Treasurer, Assistant Principals, and Central Treasurers pertaining to the Extraclassroom Activity Fund. During our meetings, we had the opportunity to review documents and direct inquiries regarding transactional records, supporting documents, and timely reporting. The purpose of these interviews was to obtain knowledge as to job duties and involvement of the Club Advisors and Student Treasurers as they pertain to the extraclassroom activity funds and reporting process, day-to-day responsibilities, who they report to, and who they supervise.
 3. Assessed possible improvements pertaining to the internal controls of the Extraclassroom Activity Fund. Such recommendations are presented within each applicable report section.
 4. Prepared analysis and report. An audit exit conference was held on March 21, 2024 with the Assistant Superintendent for Business and District Treasurer. The results, findings, and recommendations contained in this report were discussed with those attending.

Assessment of Extraclassroom Activity Fund Procedures

The agreed-upon scope of the District's current Extraclassroom Activity Fund procedures is around six (6) distinct categories. We have documented the Extraclassroom Activity Fund process by way of narratives for each categorical procedure within Exhibits 1 through 7. We have analyzed and tested each categorical procedure during the course of our audit. For ease of reference, the categories are listed below:

- ***General Organizational Structure & Controls***
- ***Extraclassroom Activity Recordkeeping Procedures***
- ***Extraclassroom Activity Cash Receipt Procedures***
- ***Extraclassroom Activity Cash Disbursement Procedures***
- ***Extraclassroom Activity Reconciliation & Reporting Procedures***

Eastchester Union Free School District
Report on Internal Controls Pertaining to the Extraclassroom Activity Fund
March 2024

General Organizational Structure & Controls (Exhibits 1, 2, & 3)

The attached Exhibits 1, 2, and 3 summarize the organizational structure of the Extraclassroom Activity Fund. We have made the following observations and recommendations:

The following processes are currently carried out by each Party:

Party	Function
Board of Education (BOE)	Approves Extraclassroom Activity policies, Clubs, Club Advisors, Central Treasurers, and applicable stipends.
Assistant Superintendent for Business	General oversight and coordinator of year end audit of the Extraclassroom Activity Funds.
District Treasurer	Reports Extraclassroom Activity to the Board of Education. Oversees the financial aspects of the Extraclassroom Activity Clubs. Reviews monthly bank reconciliations.
Central Treasurers	Oversee financial aspects of the Extraclassroom Activity Clubs. Maintain books, records, and general ledger of building level Extraclassroom account. Receive deposits for cash receipts. Prepare checks for disbursements. Deposits funds to the bank. Reconciles monthly bank statements.
Building Principals/Assistant Principals	Review and approve Extraclassroom Club formation and fundraising application forms. Sign Extraclassroom disbursements.
Club Advisors	Advise and assist the students with the day-to-day management of the club activity and Extraclassroom account. Sign off on the Extraclassroom Club formation application form. Oversee the maintenance of Extraclassroom Club records and fundraising activities. Facilitate Club meetings.
Student Presidents & Student Treasurers	Sign off on the Extraclassroom Club formation and fundraising application forms. Complete and sign deposit and check request forms. Responsible for maintaining Club records. Conduct fundraising activities. Holds Club meetings

Club Advisors submit an Application for Club Charter indicating the Club name, purpose, and names of the Club Advisor and Students involved to the High School Principal for review and approval. The High School Principal forwards the application to the Superintendent of Schools for review and approval. The Superintendent of Schools adds the application as an agenda item for the Board of Education to approve.

The Board of Education approves the Central Treasurer, the Club Advisors, and their stipends at the annual business and reorganizational meetings. Stipends are determined based on the Teacher’s bargaining unit agreement.

The following table summarizes the number of Extraclassroom Activity Clubs and the aggregate financial activity as listed in the District’s 2022/2023 financial statements:

School	Clubs	Beginning Balance	Receipts	Disbursements	Ending Balance
Middle School	16	29,174	270,463	247,192	52,445
High School	80	179,461	422,561	419,341	182,681
Total	96	208,635	693,024	666,533	235126

Observation/Recommendation #1

Risk Rating: Moderate

Based upon our analysis of the extraclassroom activity financial statements, we noted that certain clubs were financially inactive during the last two (2) fiscal years.

**Eastchester Union Free School District
Report on Internal Controls Pertaining to the Extraclassroom Activity Fund
March 2024**

- ***The Board of Education should review the necessity of each Club and eliminate any unnecessary clubs. (Those for which there has been no financial and operational activity during the prior two (2) fiscal periods. Disposing/re-allocating of remaining funds from a Club that no longer operates should be done in a consistent manner and approved by the Board of Education for each occurrence.***

Observation/Recommendation #2

Risk Rating: Moderate

The District Treasurer and Club Advisors utilize forms to record the receipts and disbursement of funds. Although Club Advisors are generally aware of the required procedures and their attempts to utilize the standardized forms, there are opportunities for improvement in the overall process.

- ***The District should consider reviewing and updating, where needed, the District's extraclassroom activity training and guidance pertaining to the process of student involvement and attendance in fundraising, deposits, disbursements, sales tax, and accounting procedures.***

Extraclassroom Activity Recordkeeping Procedures (Exhibit 4)

The attached Exhibit 4 summarizes the current ECAF recordkeeping procedures. We have made the following observations and recommendations:

Club Advisors maintain records regarding their club activities, including attendance, financial transactions, and event documentation. The Central Treasurers maintain financial records for each Club, including detailed accounts, bank statements, and bank reconciliations.

Observation/Recommendation #3

Risk Rating: Moderate

We have selected a random sample of six (6) High School Extraclassroom Activity Clubs and four (4) Middle School Extraclassroom Activity Clubs for the 2022/2023 fiscal year. We have examined the information for the selected Extraclassroom Activity Clubs against our audit criteria and summarized below the number of instances whereby the Extraclassroom Activity Club files did not contain the required documentation:

<u>Missing Document</u>	<u>Findings</u>
Club Charter	3
Signature Form	4
Meeting Minutes	8
Fundraising Authorization Form	10
Profit & Loss Statements	8

All Extraclassroom Activity Clubs should maintain the following documents to enhance transparency, accountability, and compliance with District policies and the NYSED extraclassroom activity guidelines:

- ***Charters indicate the Club's name, advisors involved, students involved, stated purpose, and Principal approval.***
- ***Meeting minutes for all scheduled meeting dates***
- ***Fundraising Forms.***
- ***Profit and Loss Statements***

Extraclassroom Activity Cash Receipt Procedures (Exhibit 5)

The attached Exhibit 5 summarizes the current ECAF cash receipt procedures. We have made the following observations and recommendations:

Observation/Recommendation #4

Risk Rating: Moderate

We have selected a random sample of six (6) High School extraclassroom activity fund cash receipts and four (4) Middle School extraclassroom activity fund cash receipts during the period of March 2023 through November 2023 and tested them against our audit criteria. Based on the testing procedures performed on the remaining cash receipts, we made the following observations:

- All cash receipts tested were traced and agreed to the deposit request forms, deposit slips, bank statements, and the Central Treasurer's activity ledger.
- All deposit request forms tested contained the Student Treasurer, Club Advisor, and Central Treasurer signatures, indicating their respective involvement in the collection process.
- Three (3) cash receipts tested were not deposited within ten (10) days of receipt of funds.
- ***Central Treasurers should prepare and maintain Treasurer's Receipts and deposit slips to document cash collected and delivered to the bank. In addition, deposits should be made within ten (10) days of receipt by Club Advisors to ensure the accuracy of bank balances and minimize the possibility of theft or misplacement of cash or checks.***

Extraclassroom Activity Cash Disbursement Procedures (Exhibit 6)

The attached Exhibit 6 summarizes the current ECAF cash disbursement procedures. We have made the following observations and recommendations:

Observation/Recommendation #5

Risk Rating: Moderate

We have selected a random sample of six (6) High School extraclassroom activity fund cash disbursements and four (4) Middle School extraclassroom activity fund cash disbursements during the period of March 2023 through October 2023 and tested them against our audit criteria. Based on the testing procedures performed, we made the following observations:

- All cash disbursements tested were traced and agreed to the check request forms, deposit slips, bank statements, and the Central Treasurer's activity ledger.
- All check request forms tested contained the Student Treasurer, Club Advisor, Central Treasurer, and Principal's signatures, indicating their respective involvement in the purchasing process.
- Six (6) ECAF cash disbursements tested did not include sales tax on the purchase amounts.
- One (1) instance whereby the check request forms were issued prior to the invoice date.
- Three (3) instances whereby the Central Treasurer recorded expenses prior to the check request form dates.
- One (1) instance whereby the Central Treasurer did not record an expense within a timely manner.

**Eastchester Union Free School District
Report on Internal Controls Pertaining to the Extraclassroom Activity Fund
March 2024**

- ***Club Advisors should ensure that the vendors charge sales tax on taxable items when making purchases. Any invoices received that do not include sales tax should be returned to the vendor for adjustment, or sales tax should be added to the invoice by the District. All check request forms should be issued, and applicable transactions should be recorded subsequent to the receipt of the corresponding invoices. This will ensure that payments are always supported by valid documentation and accurately reflect the timing of the expense.***

Extraclassroom Reconciliation & Reporting Procedures (Exhibit 7)

The attached Exhibit 7 summarizes the current ECAF reconciliation and reporting procedures. We have made the following observations and recommendations:

We have selected a random sample of four (6) High School and three (4) Middle School bank reconciliations for their ECAF accounts for the period of July 2023 through September 2023. Based on the testing procedures performed, we noted the following:

- Book balances were traced and agreed to the bank statements.
- Bank reconciliations were prepared monthly in a timely manner.
- The Central Treasurers maintain a detailed list of outstanding checks and monitor each claim's status.
- The District Treasurer reviews the monthly bank reconciliations.
- The Board of Education receives on a quarterly basis a Statement of Cash Receipts, Cash Disbursements, and Cash Balances for the Extraclassroom Activity Funds.

Observation/Recommendation #6

Risk Rating: Moderate

We noted that the High School and Middle School Extraclassroom Activity Fund bank accounts have outstanding checks over six (6) months.

- ***The Central Treasurers should continue to monitor outstanding checks and send correspondence to the vendors once a check has been outstanding for at least six (6) months. However, once a check has been outstanding for more than one (1) year, the check should be canceled, and funds should be returned to the applicable Club. The Central Treasurers should also maintain records regarding the canceled checks.***

*Eastchester Union Free School District
Report on Internal Controls Pertaining to the Extraclassroom Activity Fund
March 2024*

Risk Rating and Opinion

Inherent Risk Rating: High

Control Risk Rating: Moderate (Eastchester Union Free School District)

Audit Opinion: Needs Improvement

Audit Comment: The District's process and internal controls pertaining to the Extraclassroom Activity Funds need improvement. The recommendations noted above are aimed to improve the effectiveness of the internal controls pertaining to the accounting and reporting processes, within the Extraclassroom Activity Funds.

Exhibits

- Exhibit 1* Flow Chart of Organizational Structure
- Exhibit 2* Analysis of Policies
- Exhibit 3* Narratives of Organization Procedures
- Exhibit 4* Narratives of Recordkeeping Procedures
- Exhibit 5* Narratives of Cash Receipts Procedures
- Exhibit 6* Narratives of Cash Disbursement Procedures
- Exhibit 7* Narratives of Reconciliation & Reporting Procedures

Eastchester Union Free School District
Report on Internal Controls Pertaining to the Extraclassroom Activity Fund
Organizational Structure
Exhibit 1

Board of Education

- Approves Extraclassroom Activity policies.
- Approves Extraclassroom Activity Clubs, Club Advisors, Central Treasurers, and applicable stipends.

Assistant Superintendent for Business

- General oversight and coordinator of year end audit of the Extraclassroom Activity Funds.
- Reviews monthly Extraclassroom bank reconciliations.

District Treasurer

- Reports Extraclassroom Activity to the Board.
- Oversees Financial aspects of the Extraclassroom Activity Clubs.

Central Treasurers

- Oversee financial aspects of the School Extraclassroom Activity Clubs.
- Maintain books, records, and general ledger of building level Extraclassroom account.
- Receive deposits for cash receipts.
- Prepare checks for disbursements.
- Deposit funds to the bank.
- Perform monthly bank reconciliations.

Building Principals/Assistant Principals

- Review and approve Extraclassroom Club formation and fundraising application forms.
- Sign Extraclassroom disbursements.

Club Advisors

- Advise and assist the students with day-to-day management of the club activity and Extraclassroom account.
- Sign off on the Extraclassroom Club formation application form.
- Oversee the maintaining of Extraclassroom Club records and fundraising activities.
- Facilitate Club meetings.

Student Presidents & Student Treasurers

- Sign off on the Extraclassroom Club formation and fundraising application forms.
- Complete and sign deposit and check request forms.
- Responsible for maintaining Club records.
- Conducts fundraising activities.
- Hold Club meetings.

*Eastchester Union Free School District
Report on Internal Controls Pertaining to the Extraclassroom Activity Fund
Analysis of Policies
Exhibit 2*

The Board of Education has adopted the following policies regarding student extraclassroom activities:

- 4145 – Instruction Co-Curricular and Extracurricular Activities
- 5131.6 – Athletic and Extracurricular Activity Eligibility
- 5135 – Management of School Funds
- 5210 – Student Organizations
- 5252 – Student Activities Funds Management
- 5281 – Interscholastic Athletics and Extracurricular Activity Eligibility

Applicable procedures are presented within the Narratives of Organization Procedures, Recordkeeping Procedures, Cash Receipts Procedures, Cash Disbursement Procedures, and Reconciliation & Reporting Procedures (Exhibits 3, 4, 5, 6 and 7)

*Eastchester Union Free School District
Report on Internal Controls Pertaining to the Extraclassroom Activity Fund
Narratives of Organization Procedures
Exhibit 3*

Development of Clubs

- To establish a new club, Club Advisors complete a charter form indicating the Club's purpose, activities, and proposed advisor.
- The Assistant Principal or High School Principal reviews the charter and forwards it to the Central Office.
- The Central Office reviews the charter and discusses the stipend associated with the advisor role with the union representative.

The Central Office forwards the charters and the Club Advisor stipend positions as agenda items for the Board of Education to review and approve.

Annual Reorganization

The Board of Education approves the clubs and club advisors annually during the reorganizational meetings for all new and existing clubs.

Termination of Clubs

- Clubs with low enrollment or financial activity for more than one (1) year may be merged with other clubs. The Club Advisors track club enrollments and interest as part of the oversight process.
- Upon termination, any remaining funds are transferred to the student organization account subject to Board of Education approval.

*Eastchester Union Free School District
Report on Internal Controls Pertaining to the Extraclassroom Activity Fund
Narratives of Recordkeeping Procedures
Exhibit 4*

Club Advisor Records

Club Advisors and Assistant Principals are responsible for maintaining records of club activities, including club attendance, event documentation, and financial transactions relevant to the Club. The Assistant Principals oversee the aggregation and retention of these records. Records maintained by individual clubs include:

- Club attendance sheets.
- Financial transaction records.
- Event documentation and reports.
- Any other documentation deemed necessary by the Club Advisor or Assistant Principal.

Central Treasurer Records

The Central Treasurers are responsible for maintaining the financial records of the clubs within their respective buildings. The following list summarizes the records maintained by the Central Treasurers:

- Monthly and yearly journals documenting all financial transactions.
- Ledgers detailing the financial status of each Club.
- Individual club account records.
- Records of annual state tax payments made by or on behalf of the clubs.
- Copies of Form 1099.

Record-Keeping Formats

Records are maintained in both paper and electronic formats.

- A standardized filing system for paper records is established and maintained within the Assistant Principal's office.

Electronic records, including Google Forms or Google Sheets for attendance and financial tracking, are shared and accessible to both the Club Advisor and the Assistant Principals. All electronic records are backed up regularly to prevent data loss. Security measures are in place to protect sensitive information, including password protection and restricted access.

Eastchester Union Free School District
Report on Internal Controls Pertaining to the Extraclassroom Activity Fund
Narratives of Cash Receipts Procedures
Exhibit 5

1. The Central Treasurers and Club Advisors collect and count the cash and checks. Clubs may collect revenue through various means, including fundraising events (e.g., chocolate sales, car washes, and performances), and donations. The collection methods vary by Club based on their specific activities and goals.
2. The Assistant Principals and Building Principals formally approve fundraising activities. The Assistant Principal's Secretary maintains a schedule of all club events.
3. The Student Treasurers and Club Advisors complete the "Cash Receipts Form" and submit it to the Treasurer.
4. The Central Treasurers maintain a copy of the cash receipts form and return the original to the Club Advisors for recordkeeping.
5. The Central Treasurers document the collections within Excel, categorized by School and Club.
6. The Central Treasurers remotely deposit the checks via the check scanner in the Business Office.
7. The Central Treasurers prepare a bank deposit slip for cash received, make bank deposits, and obtain a bank deposit receipt. In the event the Central Treasurers are unable to make the bank deposit, they maintain the cash and checks within the building's safe.
8. The Central Treasurers maintain a copy of the cash receipts form, bank deposit slip, and bank deposit ticket within a file categorized by School and month.

Eastchester Union Free School District
Report on Internal Controls Pertaining to the Extraclassroom Activity Fund
Narratives of Cash Disbursements Procedures
Exhibit 6

1. The Club Advisors submit orders to vendors on behalf of the Club.
2. The vendors deliver the goods and/or services and issue an invoice to the applicable Club.
3. The Student Treasurers and Club Advisors submit a “Cash Disbursement Request Form” along with the vendor invoice to the Principals for approval. Club advisors ensure purchases follow the sales tax guidelines outlined in the Extraclassroom Activity Fund Pamphlet. The Principals approve the cash disbursement request form and invoice and forward them to the Central Treasurer for processing.
4. The Central Treasurers review the cash disbursement request form and invoice and issue a check to the vendor.
5. The Central Treasurers sign the checks and send them to the Principals for a second signature.
6. The Club Advisors pick up the checks and mail them to the vendors.
7. The Central Treasurers document the disbursements within Excel, categorized by School and Club.
8. The Central Treasurers and Club Advisors maintain copies of check requests, and transactions are recorded in the journal and Club account for audit purposes.

Eastchester Union Free School District
Report on Internal Controls Pertaining to the Extraclassroom Activity Fund
Narratives of Reconciliation & Reporting Procedures
Exhibit 7

Bank Reconciliations

1. The District maintains bank accounts for the High School and the Middle School extraclassroom financial activities.
2. At the end of each month, the Central Treasurers print the monthly bank statement from the bank website and the Excel Extraclassroom Clubs ledgers.
3. The Central Treasurers reconcile the activity reported between the bank statement and the Excel ledger.
4. The Central Treasurers prepare monthly bank reconciliations utilizing Excel indicating the statement beginning balance, checks, and payments cleared, deposits and other credits cleared, statement ending balance, uncleared transactions, and register balance as well as the cleared transactions, uncleared transactions, and register balance as of the date the reconciliation was prepared.
5. The Central Treasurers and Club Advisors investigate non-reconciling items.
6. The Central Treasurers maintain the following documentation to support the bank reconciliation process:
 - a) Excel Bank Reconciliation
 - b) Details for Cleared and Uncleared Transactions. Outstanding checks are kept active for 6 to 12 months. After this period, funds are returned to club accounts.
 - c) Bank Statements
 - d) Balance Sheet Detail
 - e) Copies of Non-Reconciling Items (e.g., cash receipts, checks)
7. The District Treasurer reviews the monthly bank reconciliations.
8. Extraclassroom activities are reported to the Board of Education on a quarterly basis.
9. The Board of Education approves the quarterly Extraclassroom reports.
10. The Central Treasurers perform a year-end reconciliation for clubs with numerous activities, ensuring all financial records are accurate.

Stipends

1. Club advisors complete a year-end summary to justify stipends and ensure clubs have been active and meet their objectives. Clubs are encouraged to maintain minutes of meetings and document financial decisions and plans.
2. Club advisors complete the required documentation and submit it to the Assistant Principal and Superintendent of Schools.
3. Advisors receive payment for extraclassroom activities annually or semi-annually, depending on the agreed-upon schedule.