Rye Neck Union Free School District
Report on Extraclassroom Activity Funds
For the Period Ending March 31, 2026

TABLE OF CONTENTS

Executive Summary	1
Procedures Performed, Observations, and Recommendations	2 - 8

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Board of Education
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We have been engaged by the Board of Education (the "Board") to provide internal audit services to Rye Neck Union Free School District (the "District") with respect to the internal controls related to the extraclassroom activity funds for the period July 1, 2025 through March 31, 2026.

The objectives of the engagement were to evaluate the efficiency, effectiveness, and compliance of the District's internal controls related to the extraclassroom activity funds with relevant policies, procedures, and regulatory requirements, where applicable.

Our procedures were not designed to express an opinion on internal controls related to the extraclassroom activity funds, and as such, we do not express such an opinion. Our review of the District's extraclassroom activity funds identified areas of strength as well as opportunities for improvement. By implementing the recommended improvements, the District can further enhance the efficiency and effectiveness of its extraclassroom activity funds procedures. The results of our procedures are presented on the following pages.

This report is intended solely for the information and use of the Board, the Audit Committee, and management of the District and is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the courtesy and assistance extended to us by personnel of the District. We are available to discuss this report with the Board or others within the District at your convenience. Our observations and recommendations are directed at the improvement of the system of internal controls and should not be considered a criticism of, or reflection on, any employee of the District.

Very truly yours,

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
May 14, 2026

PROCEDURES PERFORMED, OBSERVATIONS, AND RECOMMENDATIONS

AREA: POLICIES AND PROCEDURES

Overview: The District's extraclassroom activities are governed by Board of Education (the "Board") Policy #5210, *Student Organizations* and Policy #5252, *Student Activities Funds Management*. Extraclassroom activities are defined as student-operated organizations, and all funds are raised voluntarily by students for approved educational purposes. Clubs may only operate upon approval by the Board.

The Board appoints a central treasurer, who has custody of all extraclassroom activity funds and is responsible for deposits, disbursements, recordkeeping, and reporting to the Board. Faculty advisors oversee club activities and approve transactions, but do not have custody of funds. Student officers, including a student activity treasurer, are responsible for maintaining club-level records under advisor supervision.

Policies Reviewed:

- Policy #5210 – *Student Organizations*
- Policy #5252 – *Student Activities Funds Management*

Procedures Performed:

- Reviewed the District's Board-approved policies and related administrative guidance governing extraclassroom activities, student organizations, and student activity fund management.
- Inquired with management and central treasurer to understand current practices for extraclassroom activity fund administration.
- Evaluated policies for alignment with applicable New York State laws and regulations, including the Regulations of the Commissioner of Education (8 NYCRR §172).
- Assessed whether policies sufficiently define roles and responsibilities at the District and building levels and whether policies provide guidance for monitoring, recordkeeping, and compliance related to extraclassroom activities.

Observation: No exceptions noted.

Recommendation: None noted.

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AREA: EXTRACLASSROOM CASH RECEIPTS

Overview: Cash receipts for extraclassroom activities at the District are initiated by faculty advisors using cash receipt forms. These forms detail all funds received, including cash and checks, and will include the documented involvement of the faculty advisor, the student treasurer, and/or the principal, as evidenced by their respective signatures. Cash receipts are recorded and entered into the QuickBooks accounting system by the central treasurer. Deposits are prepared and made by the central treasurer, and if deposits cannot be made on the same day, funds are secured in a vault located in the main office.

Procedures Performed:

- Reviewed the District's policies and procedures related to extraclassroom activity cash receipts.
- Assessed controls related to authorization, documentation, reconciliation processes, and segregation of duties.
- Reviewed controls over safeguarding of funds pending deposit, including vault access restrictions and overnight custody procedures.
- Reviewed student payment tracking procedures to assess whether collections are properly attributable to individual students.
- Tested mathematical accuracy of cash receipt forms to verify that amounts recorded agreed to supporting documentation and deposit slips.
- Reviewed timeliness of deposits to assess whether cash receipts were deposited promptly in accordance with District policy.
- Selected 25 cash receipt transactions from student activity accounts across both schools and reviewed supporting documentation for completeness, accuracy, proper recording, and evidence of required approvals in accordance with established policies and procedures.

Observation: During our testing of 25 extraclassroom activity cash receipts, we noted that a majority of receipt forms did not have adequate supporting documentation attached (e.g., copies of checks or other evidence regarding the nature of the receipts, listing of applicable students, listings of items sold, etc).

Recommendation: We recommend that the District require all extraclassroom activity cash receipts submitted to the Central Treasurer by extraclassroom activity clubs include supporting documentation, such as copies of checks, receipt logs, or other relevant evidence of funds collected. Procedures should be established to ensure that deposits are not accepted or processed by the Central Treasurer without adequate supporting documentation to accompany the deposit.

Observation: We observed that the "Deposit to Student Account" form used for extraclassroom activity receipts requires two signatures; however, one of these signatures may be a student, but a

student signature is not explicitly required. As a result, there is no consistent evidence demonstrating student involvement or acknowledgment of funds collected and submitted.

Recommendation: We recommend revising the "Deposit to Student Account" form to include a designated signature line specifically for a student, and a separate line for review by either the Faculty Advisor or Principal, so as to ensure compliance with the published guidelines governing the proper procedures and policies governing the extraclassroom accounts and transactions.

Observation: The District does not prepare formal profit and loss statements for fundraising events, as recommended by New York State Education Department (NYSED).

Recommendation: We recommend that the District establish a procedure to prepare formal profit and loss statements for all qualifying fundraisers to track revenue and expenditures as recommended by NYSED.

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AREA: EXTRACLASSROOM CASH DISBURSEMENTS

Overview: Disbursements are initiated upon receipt of vendor invoices and processed using cash disbursement forms, which include invoice details, check number, purpose of payment, and payee. Each cash disbursement form requires review and approval signatures by the faculty advisor, principal, and/or student treasurer prior to submission to the central treasurer. Disbursement transactions are recorded in the QuickBooks accounting system by the central treasurer and filed by check number. Checks require one signature: the authorized administrator (high school or middle school principal). Check registers are maintained exclusively by the central treasurer.

Procedures Performed:

- Reviewed the District's policies and procedures related to extraclassroom activity cash disbursements.
- Assessed controls related to authorization, documentation, reconciliation processes, and segregation of duties.
- Assessed check security controls, including signature requirements, check stock safeguarding, and access restrictions to check registers.
- Reviewed controls to prevent clubs from incurring negative account balances prior to processing disbursements.
- Assessed whether sales tax is appropriately paid on applicable disbursements.
- Sampled 25 extraclassroom disbursements to verify that disbursements are properly supported by documentation such as invoices or listings of attendees, that these disbursements are appropriately recorded, and evidence of required approvals is

maintained in accordance with established policies and procedures.

Observation: During our testing of 25 extraclassroom activity cash disbursements, we noted that the "Check Request From Student Account" form requires two signatures; however, one of these signatures may be a student, but a student signature is not explicitly required. As a result, there is no consistent evidence demonstrating student involvement or acknowledgment of funds disbursed.

Recommendation: We recommend revising the "Check Request From Student Account" form to include a designated signature line specifically for a student, and a separate line for review by either the Faculty Advisor or Principal, so as to ensure compliance with the published guidelines governing the proper procedures and policies governing the extraclassroom accounts and transactions.

Observation: During our review of the District's extraclassroom activity cash disbursement procedures, we noted that the District does not have a formally documented procedure in place to monitor compliance with IRS 1099 reporting requirements for vendors

Recommendation: We recommend the District implement a formally documented procedure to identify and track all payments to vendors through the extraclassroom activity fund to determine which vendors meet the IRS reporting requirement threshold.

Observation: During our review of the District's extraclassroom activity cash disbursement procedures, we noted that two out of the 25 disbursements tested did not include evidence of sales tax being paid.

Recommendation: We recommend the District reinforce procedures to ensure that sales tax is properly assessed and paid on extraclassroom activity purchases, when applicable. Steps towards compliance in this area should include providing training to the central treasurer and student advisors on taxable versus tax-exempt purchases and requiring review of invoices for sales tax applicability prior to payment.

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AREA: CLUB CHARTERS AND BALANCES

Overview: The formation and operation of student organizations at the District is governed by Board Policy #5210, *Student Organizations*. Students seeking to establish a club must submit a written application, and clubs may only operate upon Board approval. The central treasurer monitors club activity throughout the year and identify clubs with prolonged inactivity. Inactive

club account balances are transferred to another student organization in accordance with District policy.

Procedures Performed:

- Reviewed the District's policies and procedures related to extraclassroom activity club charters.
- Obtained an understanding of the process for chartering new clubs or organizations.
- Assessed the District's procedures for identifying inactive clubs, including the frequency of review and the criteria used to determine inactivity.
- Reviewed the process for disposing of remaining balances of inactive clubs, including Board notification and transfer of funds to the appropriate student organization account.
- Reviewed the District's extraclassroom audited financial statements for the fiscal years ended June 30, 2025 and June 30, 2024, along with reviewing Quickbooks activity for the period from July 1, 2025 through January 31, 2026 to identify extraclassroom activity clubs with no financial activity and clubs with negative balances.

Observation: We noted several sports clubs recorded in the extraclassroom activity accounts that do not appear to meet the NYSED's definition of an extraclassroom activity fund.

Recommendation: We recommend that the District evaluate the nature of the clubs recorded within its extraclassroom activity accounts to ensure that these clubs meet the NYSED's definition of an extraclassroom activity fund.

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AREA: BANK RECONCILIATIONS

Overview: The District maintains one extraclassroom activity bank account at M&T Bank. Bank reconciliations are prepared monthly by the central treasurer. Reconciliations are included in the monthly financial reporting package submitted to the District's business office for review. The central treasurer is the only individual with access to initiate transfers between clubs.

Procedures Performed:

- Reviewed the District's policies and procedures related to extraclassroom activity bank reconciliations.
- Obtained an understanding of the process for reconciling bank statements, including timelines, responsibilities, and documentation requirements.
- Obtained bank reconciliations for the periods from July 1, 2025 through January 31, 2026 and reviewed for completeness, accuracy, and evidence of independent review.

Observation: The District does not maintain extraclassroom activity fund cash balances in interest bearing accounts or invest available funds when appropriate, resulting in lost opportunities to earn interest and maximize available resources.

Recommendation: We recommend that the District evaluate its extraclassroom activity fund cash balances and establish procedures to utilize these accounts where appropriate to maximize earnings while ensuring funds remain accessible and in compliance with applicable regulations and District policy.

Observation: The District maintains a balance within the extraclassroom activity funds for general use purposes.

Recommendation: We recommend that the District ensure that extraclassroom activity funds are used solely for student-led activities in accordance with applicable guidance. We recommend that any general or administrative expenses be charged to the District's general fund, as applicable.

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AREA: TRAINING AND COMPLIANCE

Overview: Faculty advisors are required to be familiar with and follow District policies governing extraclassroom activities. The central treasurer provides ongoing oversight and reminders regarding deadlines, documentation requirements, and compliance expectations, including, but not limited to, the importance of safeguarding funds, maintaining accurate extraclassroom activity club ledgers, and ensuring that all deposits and disbursements are properly supported and approved.

Sales tax compliance clarifies that extraclassroom activities are not tax-exempt and may not use the District's exemption. Faculty advisors are responsible for identifying taxable activities and calculating sales tax when providing cash receipt forms for deposit.

Procedures Performed:

- Inquired with central treasurer to assess the nature and frequency of training provided to faculty advisors and student treasurers.
- Inquired about whether sales tax returns are filed and supported by documentation.

Observation: No formal, documented training program was noted for faculty advisors. While informal guidance is provided by the central treasurer, there is no standardized training program to confirm faculty advisors have been trained on their responsibilities.

Recommendation: We recommend that the District consider developing a formal, documented training program for all extraclassroom activity fund faculty advisors to confirm their understanding of roles and responsibilities.

Observation: The District does not collect or monitor sales tax on taxable extraclassroom activity fund sales and does not file annual or quarterly sales tax returns, as required by New York state law.

Recommendation: We recommend that the District implement procedures to monitor taxable sales and ensure compliance with sales tax requirements, including determining when sales tax must be collected and remitted, maintaining appropriate records, and filing all required returns in a timely manner.