



South Colonie

CENTRAL SCHOOL DISTRICT

June 27, 2023

Board of Education
South Colonie Central Schools
102 Loralee Drive
Albany, New York 12205

RE: District Response to Internal Audit Risk Assessment

Dear Members of the Board of Education:

The firm Michael Wolff Advisory Services performed an Internal Audit for 2022-2023 school year, which included the focus area of Extra-Classroom. As part of the audit process, they issued a report, dated June 16, 2023. This report was presented to our Board of Education's Audit-Finance Committee on June 27, 2023.

The 2022-2023 Extra-Classroom focus area resulted in the following recommendations.

Recommendation:

All personnel involved with ECAF funds, including student treasurers, should be required to attend training on the procedures for operating ECAF clubs.

Response:

The District will provide an initial training for new advisors and regular training for ongoing advisors to ensure that all advisors are aware of the proper procedures and protocols related to ECAF.

Anticipated Completion – December 2023

Recommendation:

When the ECAF auditor prepares the audit report, a corrective action plan should be developed, involving the principal and advisors who consistently have errors. This will help address and rectify any recurring issues.

Response:

The ECAF auditor will expand the auditing process to include a corrective action plan to address and rectify any recurring issues.

Anticipated Completion – December 2023



South Colonie

CENTRAL SCHOOL DISTRICT

Recommendation:

The website containing the Board policies should be updated to include regulation 5252-R, ensuring easy accessibility to the policy online. This will help ensure that all stakeholders are aware of the relevant regulations.

Response:

The District will post the board policy to ensure accessibility.

Anticipated Completion – September 2023

Recommendation:

Conduct a comprehensive review of the Board policies to identify areas where they can be more comprehensive and effective. For example, consider incorporating a requirement for mandatory training for all advisors and other relevant parties involved in ECAF.

Response:

The District will be engaging in a District-Wide policy review during the 2023-2024 school year.

Anticipated Completion – June 2024

Recommendation:

Club advisors should be reminded that each fundraiser requires a completed and accurate profit and loss statement, as well as the maintenance of minutes for the club.

Response:

Training will be provided to ensure that all advisors are aware of the proper procedures and protocols related to ECAF.

Anticipated Completion – December 2023

Recommendation:

A specific person(s) at each building should have the authority to sign contracts pertaining to ECAF.

Response:

The District will review this recommendation and determine the best course of action to address this concern.

Anticipated Completion – December 2023



South Colonie

CENTRAL SCHOOL DISTRICT

Recommendation:

Pre-approval forms should reflect that the club has given permission to the advisor before making a purchase, rather than requesting reimbursement after the fact.

Response:

Training will be provided to ensure that all advisors are aware of the proper procedures and protocols related to ECAF.

Anticipated Completion – December 2023

Recommendation:

The respective building principal or someone from the District Office should contact the advisors of clubs with high balances and determine an appropriate balance that should be maintained for each club. If a club has excessive balances, the benefits should be transferred to the students of the club, such as subsidizing yearbook prices to rescue the cost for students.

Response:

The District will work with the principals and club advisors to determine what the appropriate balances are for each club. Those clubs with excessive balances will be addressed and reduced.

Anticipated Completion – June 2024

Recommendation:

Research should be conducted on checks outstanding for more than a year, and if no resolution can be found, they should be returned to the ECAF funds.

Response:

A change in process was recently implemented to address this issue. The District will continue to work with the Central Treasurers to resolve older outstanding checks.

Anticipated Completion – December 2023

All other observations and comments will be reviewed by the District.

Sincerely yours,

SOUTH COLONIE CENTRAL SCHOOLS

Anjelieeque Martinez
Business Administrator/
District Treasurer

Jacquelyn McAllister
Assistant Superintendent for
Management Svcs & Strategic Planning

APPROVED BY
BOARD OF EDUCATION
6-27-2023

PRESIDENT, BOARD OF EDUCATION

Michael T. Wolff, CIA
Advisory Services

South Colonie Central School District
Attn: Board of Education/Audit Committee
102 Loralee Drive
Albany, New York 12205

June 16, 2023

Re: 2022-2023 Extra-Classroom Review

Objectives of Extra-classroom Activity Funds (ECAF)

The New York State Education Department has established Extra-classroom Activity Funds ("ECAF") to enable students participating in clubs to learn about proper business procedures and gain basic financial management skills. ECAF represents funds raised by students, for the benefit of students, and is overseen by the students themselves in terms of how the funds are utilized. Each club is required to have at least one advisor to guide the students in acquiring these skills. The ultimate responsibility for oversight and compliance with ECAF requirements lies with the District's Board of Education, ensuring the implementation of internal controls to safeguard assets and maintain proper procedures.

For Boards of Education approving such activities, the following objectives should be pursued by the clubs and their advisors:

- Learning basic business procedures, including:
- Collecting and disbursing funds.
- Accounting and recording fundamental transactions.
- Evaluating fundraising activities (e.g., profit and loss).
- Safeguarding funds and property.


Executive Summary

Establishing effective procedures and internal controls for ECAF presents challenges for many school districts, and the South Colonie Central School District is no exception. When cash transactions involving students are introduced into an environment with various transaction types, the potential for mistakes and errors increases significantly. Hence, consistent procedures and robust internal controls are crucial.

During our review, we observed that most activities were carried out with good intentions. However, inconsistencies in compliance with procedures and documentation were evident across different buildings and clubs. Detailed documentation of student activities and supporting cash receipts were found to be lacking, particularly compared to disbursements. Profit and Loss (P&L) statements were not consistently completed, and issues were identified in the collection, payment, or calculation of sales tax in the cases we examined.

The subsequent pages provide a comprehensive review of our procedures, testing conducted, and the results of the review. We extend our gratitude to the staff of the South Colonie Central School District for their cooperation and assistance during our review. Should you have any questions regarding this review or report, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Michael T. Wolff". The signature is written in a cursive style with a large, stylized "W" at the end.

Michael T. Wolff, CIA
Internal Control Specialist
Michael Wolff Advisory Services

Background

Extra-classroom activity funds ("ECAF") consist of funds raised by students for the benefit of students. These funds support clubs that focus on specific goals or subject matters, enhancing students' educational experiences beyond the regular curriculum. Common clubs include drama, yearbook, pride, art, and more. Additionally, each grade or graduating year typically has a club that raises funds throughout the students' time in school, often culminating in supporting the senior prom and class trip. At the time of our review, there were a total of sixty (60) clubs, with twenty-eight at the high school, fifteen at Sand Creek Middle School, and seventeen at Lisha Kill Middle School.

ECAF is established at the high school and both middle schools. Each building has a Central Treasurer appointed by the Board to serve as the primary point of contact for all transactions and act as a liaison with the bank. The Central Treasurer maintains a comprehensive record of all transactions for clubs within their respective building.

Every club is assigned an advisor by the Board of Education to assist students in managing their club and funds. Each year, students elect student officers who guide the club's direction. The treasurer holds a crucial position, responsible for maintaining the club's financial records. All financial transactions require supporting documentation, including the signature of the student treasurer and advisor, before being submitted to the Building's Central Treasurer.

In addition to student treasurers, advisors, and central treasurers, the principals in each building have the responsibility of overseeing ECAF activities. Their duties include approving fundraising initiatives and field trips, as well as reviewing and authorizing all disbursements before checks are issued. The school also employs an ECAF Auditor at the district office, who conducts regular reviews of selected clubs' activities and ledgers to ensure compliance with ECAF procedures and policies. The auditor provides a report on the results of these reviews three times a year.

One distinction between ECAF and the public funds of the school district is that clubs are not exempt from sales tax. Therefore, they must pay and collect sales tax accordingly. The district reports sales tax, and sales tax returns are filed by the district office.

While numerous individuals are involved in operating the clubs, it is the Board's responsibility to establish policies and procedures that maintain proper internal controls and ensure the proper security of ECAF.

The following is a summary of the testing performed on the ECAF program procedures:

Cash Receipts

Cash receipts for the period between July 1, 2022, and March 31, 2023, amounted to \$109,045.

A sample of forty-three (43) transactions totaling \$55,700.18 was selected to review the receipt of cash funds for ECAF activities. The review aimed to ensure the following:

- Accurate accounting of deposits with proper documentation for audit purposes.
- Prompt deposits into the depository approved by the Board of Education.
- Club involvement and approval of activities throughout the fundraising process.
- Proper safeguarding of cash receipts during and after events until deposited in the bank.

Results:**Cash Receipts:**

- 11 deposits at the high school were missing the advisor's signature.
- 14 deposits at the high school were missing the student's signature.
- All deposits were signed by the central treasurer, except for one deposit missing the treasurer's signature. (SC)
- 5 deposits that should have included the collection of sales tax did not have sales tax collected. (LK-2, SC-2, HS-1)
- 15 deposits did not have an indication of sales tax being applicable or collected. (HS-15)
- One deposit was not made intact, as some funds were used to pay expenses instead of being deposited in full, with a separate request for expense reimbursement. (LK)
- One deposit lacked supporting documentation. (SC)
- Two deposits could not be reconciled mathematically with the deposit made at the bank due to disorganized records. (HS-2)
- One deposit was not made timely. (Halloween event deposited in March) (HS)

Cash Disbursements:

Cash disbursements for the period from July 1, 2022, to March 31, 2023. Forty-nine (49) disbursements were tested and reviewed for accuracy and supporting documentation.

- Disbursements were assessed for timeliness based on the original event.
- Student participation in and organization of the events were evaluated.
- Proper authorization for disbursements was reviewed.

Results:**Cash Disbursements:**

- 5 disbursements were missing the signature of the Central Treasurer. (SC-5)
- 2 transactions did not have the Student Treasurer's signature. (SC)
- 1 transaction did not have the Advisor's signature. (SC)
- All transactions had the principal's signature.
- One transaction involved a vendor that did not charge sales tax, but the omission of tax was not adjusted in the club's balance by the Central Treasurer. (HS)
- Three invoices did not indicate whether sales tax was included, and no follow-up was conducted by the Central Treasurer or Club Advisor. (SC)
- One contract was signed by the advisor, which, although there is nothing explicitly restricting this practice, however, it is advisable to assign a principal or someone at the district office with the authority to review contracts for enhanced oversight. (SC)
- Nineteen (19) payments were made to reimburse advisors for items they purchased. While not explicitly restricted, this raises questions about the extent of student involvement. It is important to ensure that students are actively participating in the decision-making process rather than advisors operating independently and involving students after the fact. ((LK-5, SC-3, HS-11)
- One expense involved the principal requesting funds from a club to pay for pizza, but there was no signature from anyone from the club, calling into question the authorization and accountability of the transaction. (SC)
- Two transactions utilized the "income tax" formula instead of the proper sales tax calculation, resulting in underpaid sales tax. (SC)
- Sales tax was not calculated correctly on the admission fees for the dance event, leading to

an inadequate payment of sales tax. (LK-1, SC-1)

- Five disbursements were missing the preapproval form, which should have been included in the disbursement packet. (SC)
- Six disbursements had the preapproval form signed after the event or expenditure, suggesting a lack of proactive oversight and compliance with established procedures. (SC)
- During our review, we found that profit and loss statements for all fundraising events were not consistently completed. However, we couldn't determine the exact number of missing statements as some fundraising events were still ongoing at the time of the review.

Additional Comments/Observations:

1. The turnover in the position of the Central Treasurer at the high school during the year contributed to some of the exceptions. The transition in personnel led to a learning curve, resulting in exceptions in that role.
2. During our audit, all three Central Treasurers were required to undergo ECAF training, which indicates a commitment to improving processes and adherence to policies.
3. To maintain proper records for the clubs, it is important to document club activities with meeting minutes recorded by the students and profit and loss statements for each fundraiser. Although some instances of minutes and profit and loss statements were found, they were not consistently produced.
4. We reviewed Board policies 5251 "Fundraising Activities" and 5252 "Student Activities Fund Management," as well as the ECAF handbook. The handbook contained additional regulations from policy 5252 that were not available on the website.
5. During the review, it was noted that there were four clubs that had no activity. As per Board policy, these clubs should have their funds transferred to the Student Government at the end of the year if there is no activity. It is important to adhere to this policy to ensure proper use of funds.
6. As of 4/30/2023, there were several clubs with significant balances:
 - High School: Line & Cue - \$36,384, Rougetor (Yearbook) - \$55,060, Senate - \$14,043.
 - Sand Creek Middle School: Grade 5 activities - \$7,011.
 - Lisha Kill Middle School: Drama - \$22,025, Grade 8 - \$10,019, Grade 7 - \$8,498.

The purpose of ECAF is for students to engage in fundraising for a specific purpose or benefit, which should be recognized or rewarded to the students who participated in the fundraising activities. Fundraising should not be conducted solely for the sake of fundraising.

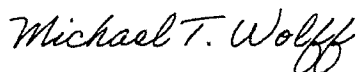
7. During our review, we noted minor differences between the high school and middle school operations regarding ECAF. While different levels of effort may be required at each school, it is recommended to establish uniform forms and procedures throughout the district to ensure consistency.
8. We reviewed the sales tax returns submitted as of 11/30/2022 and 2/28/2023, as well as the ECAF bank statements/reconciliations as of 3/31/2023, and found no material exceptions. However, there were 29 checks outstanding for more than 90 days, with 20 of them being older than a year.
9. We reviewed the procedures for safeguarding funds during and after an event until they are deposited at the bank. Although we couldn't directly test the immediate turnover of funds collected at a classroom level to the Central Treasurer, we did not observe significant delays in the cash deposits we tested.

Executive Summary of Recommendations to Improve the ECAF Program:

1. All personnel involved with ECAF funds, including student treasurers, should be required to attend training on the procedures for operating ECAF clubs.
2. When the ECAF auditor prepares the audit report, a corrective action plan should be developed, involving the principal and advisors who consistently have errors. This will help address and rectify any recurring issues.
3. The website containing the Board policies should be updated to include regulation 5252-R, ensuring easy accessibility to the policy online. This will help ensure that all stakeholders are aware of the relevant regulations.
4. Conduct a comprehensive review of the Board policies to identify areas where they can be more comprehensive and effective. For example, consider incorporating a requirement for mandatory training for all advisors and other relevant parties involved in ECAF.
5. Club advisors should be reminded that each fundraiser requires a completed and accurate profit and loss statement, as well as the maintenance of minutes for the club.
6. A specific person(s) at each building with authority to sign contracts pertaining to ECAF.
7. Pre-approval forms should reflect that the club has given permission to the advisor before making a purchase, rather than requesting reimbursement after the fact.
8. The respective building principal or someone from the District Office should contact the advisors of clubs with high balances and determine an appropriate balance that should be maintained for each club. If a club has excessive balances, the benefits should be transferred to the students of the club, such as subsidizing yearbook prices to reduce the cost for students.
9. Research should be conducted on checks outstanding for more than a year, and if no resolution can be found, they should be returned to the ECAF funds.

We extend our gratitude to the staff of the South Colonie Central School District for their cooperation and assistance during our review. Should you have any questions regarding this review or report, please do not hesitate to contact me.

Sincerely,



Michael T. Wolff, CIA
Internal Control Specialist
Michael Wolff Advisory Services



PRESIDENT, BOARD OF EDUCATION

APPROVED BY
BOARD OF EDUCATION

6-27-2023