

**Rockville Centre
Union Free School District
Independent Accountant's Report On
Applying Agreed-Upon Procedures
January 23, 2019**

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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Education and Audit Committee
Rockville Centre Union Free School District
Rockville Centre, New York

We have performed the procedures described in the following pages, which were agreed to by the Rockville Centre Union Free School District (District), on food services, extraclassroom activities and the Red and Blue Event for the period July 1, 2017 through October 31, 2018.

The District's management is responsible for administering these functions.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in the following pages.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the District's food services, extraclassroom activities and Red and Blue Event. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our engagement.

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

Cullen & Danowski, LLP
January 23, 2019

ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures
For the Period Ended October 31, 2018

Introduction:

This report is categorized by function (i.e., food services, extraclassroom activities and the Red and Blue Event), and there are five sections under each function consisting of:

- Background information
- Summary of the engagement
- Procedures performed during our detailed testwork
- Findings as a result of our review
- Recommendations to further strengthen internal controls or improve operational efficiency.

Some of the recommendations may require a reassignment of personnel duties within the District and/or a monetary investment. However, any enhancement of controls should be done after a careful cost-benefit analysis.

Corrective Action Plan:

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan, approved by the Board of Education, must be filed within 90 days of issuance with the New York State Education Department (NYSED).

The District should submit the Corrective Action Plan (CAP) along with the respective Internal Audit Report via the NYSED Portal.

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FOOD SERVICE

Background:

Good business practice requires that the District establish adequate controls over receipts, deposits and inventory at the locations providing food service. These controls should ensure the completeness and accuracy of cash receipts; the safeguarding of funds collected and inventory; the timeliness of depositing funds into the bank; the retention of proper documentation supporting the receipts and deposits; and the performance of physical inventories of the food service goods, commodities, stock and equipment.

The District operates an in-house food services program as opposed to contracting with a food service provider. The food service program offers breakfast and lunch at the High School (HS) and Middle School (MS), and offers lunch at the 5 Elementary Schools (ES). The Food Service Director is responsible for managing the operations and has been in the role for 11 years. She is active in the industry including membership in the Long Island School Nutrition Directors Association (LISNDA), which consists of directors from other districts and BOCES with in-house food service programs. The District utilizes a point-of-sale (POS) system called NUTRIKIDS that is used at many other districts. We note that the food service program maintains 2 POS terminals for breakfast (i.e., 1 at the HS, 1 at the MS) and 10 POS terminals for lunch and snack (i.e., 3 at the HS, 2 at the MS, 1 at each ES).

The following table represents the actual revenues and expenditures for the previous 3 fiscal years from 2016 through 2018 and the actual revenues and actual expenditures for fiscal year 2019 as of October 31, 2018, based on the results as reported in the audited financial statements related to the Food Services Fund:

<i>Fiscal Year</i>	<i>Total Revenue</i>	<i>Total Expenses</i>	<i>Profit / (Loss)</i>
2016	\$ 800,804	\$ 817,883	\$ (17,079)
2017	820,441	814,642	5,799
2018	867,427	809,598	57,829
2019 *	212,130	174,030	38,100
TOTAL	\$ 2,700,802	\$ 2,616,153	\$ 84,649

* Actual amounts through October 31, 2018

Summary:

We note that the Food Service Director and the Business Office are very engaged and understand the need to have proper controls in place. Our procedures included observations at the HS, MS, Francis F. Wilson ES and William S. Covert ES to review the procedures followed by the cashiers and other food service workers. This included visual inspections and walkthroughs of the closing process at the end of each lunch period. Based on our procedures, we found opportunities to strengthen internal controls and enhance operational improvements as outlined in the findings and recommendations sections below.

Procedures:

Our procedures related to food services, as per the engagement letter dated July 1, 2018, were as follows:

- Review Board policies and District procedures in detail related to the food services function.
- Interview personnel responsible for food services activities regarding policies, procedures and systems in effect and identify the strengths, weaknesses and key controls.

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- Review food services activities as follows:
 - Randomly select 10 daily receipts from each school during the period and ensure that the respective deposits had been posted to the bank account accurately and timely.
 - Select 1 full week of receipts during the period and ensure that the receipts agree to the deposits.
 - Select 1 month and ensure that the number of meals per the school lunch records agree with the figures reported to the state.
 - Select 3 months and review the receipts documentation that was submitted to the Business Office to ensure the completeness, accuracy and timeliness of the information.
- Perform a visual inspection of the cashier activities for approximately 1 hour during lunch operations at the HS, MS and 2 of the ESs that includes the counting of funds and the closing procedures.

Findings:

Review of Board policies and District procedures related to the food services function noted:

- The District has Board policies related to food services: *Policy 5660 – School Food Service Program* and *Policy 5661 – District Wellness Policy* that are comprehensive documents covering key aspects of the food services program. These policies had been revised on October 17, 2018 to incorporate language related to the new state requirements including the “shaming” regulations.
- The Food Services Department follows the Board policies related to purchasing as part of the vendor selection and expenditure processes.
- The POS system is set up to prevent the cashiers from viewing the sales information during the closing process known as a “blind” close. This is a strong internal control because the cashiers are unaware of the amount of sales recorded in the POS system and the POS system prevents cashiers from posting any transactions once they enter the cash on-hand amount when closing out the POS terminal.
- The District utilizes a web-based online program (MySchoolBucks) to allow online payments that are automatically applied to student accounts in the POS system. This online program also gives the parents/guardians the ability to view account balances, track their student’s purchases, set-up low balance reminders and set-up automatic payments.
- There was a recent change related to the free and reduced applications where the Business Office now handles the forms instead of each school being responsible. This has resulted in standardization and consistency with tracking, filing and communicating with the parents/guardians regarding these forms.

Interviews with personnel responsible for food services activities found:

- The Food Service Director is consistently looking to find opportunities that may exist to increase revenues and/or reduce expenses to improve financial results. The Food Service Director continuously searches for ways to increase revenues by enhancing the menu items; however, this is very challenging due to the limitations on the types of allowable choices due to nutritional requirements. In addition, raising the price of meals involves risk because the higher sales price may reduce the average daily participation (ADP) due to affordability issues.
- The District Courier picks up the bank bags from the food services staff at the school cafeterias and delivers the bags to the Business Office. However, we noted that a log isn’t used to document the transfer of the bank bags from the food services employee to the District Courier.

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- The food services program includes operations in the HS faculty lounge; however, we found that the number of meals served and total sales amount for this location averaging only \$70 per day. This generally results in losses when compared to the expenses (i.e., staff time, inventory, unsold meals) with operating this location that exceed the sales amount.
- There are no procedures to require the cashier to document the reason when their cash on hand count is over or under the POS amount by a specified dollar amount (e.g., \$5) during the closing process. We noted that there had been instances of minimal differences per the deposit slip and the POS report.

Review of the randomly selected 10 daily receipts from each school during the period noted:

- There were 70 daily receipts (7 schools times 10 days) that had been reviewed and we noted that all of these receipts had been posted to the bank account accurately and timely.
- There were 28 instances out of the 70 daily receipts where the deposit slip was not signed by the cashier, although this sign-off is a required procedure.
- There were several instances where the school name and/or the POS terminal information was not listed, or was not clearly noted, on the deposit slip as required.

Review of the selected 1 full week of receipts during the period found:

- There were 35 daily receipts (7 schools times 5 days) that had been reviewed and these receipts agreed to the deposits with the bank.
- There were 30 instances out of the 35 daily receipts where the deposit slip was not signed by the cashier, although this sign-off is a required procedure.
- There were several instances where the school name and/or the POS terminal information was not listed, or was not clearly noted, on the deposit slip as required.

Review of the selected 1 month related to the number of meals noted:

- The number of meals per the food services records agreed with the filings by the District to the state.

Review of the selected 3 months and the receipts documentation that was submitted to the Business Office to ensure the completeness, accuracy and timeliness of the information found:

- There were numerous instances where the deposit slip was not signed by the cashier, although this sign-off is a required procedure. In addition, there had been several instances where the school name and/or the POS terminal information was not listed, or was not clearly noted, on the deposit slip as required.

Visual inspections of the cashier activities for approximately 1 hour during lunch operations at the HS, MS and 2 of the elementary schools (Francis F. Wilson and William S. Covert) noted:

- The cashiers count and recount the receipts prior to preparing the daily deposit slip. However, we found that there are no procedures requiring a second food services worker to double check the count of the cashier, which is a good business practice.

Recommendations:

We recommend that the District consider implementing the following item to further improve internal controls and operational efficiencies related to food services:

1. Establish procedures to use a standard log at all cafeterias for the District Courier to initial along with the date and time whenever a bank bag is collected from a food services employee.

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2. Perform an assessment of the food services operations in the HS faculty lounge related to the revenues, expenditures, inventory, discarded items (e.g., unsold meals) and other factors, to determine if maintaining this location is cost beneficial.
3. Establish procedures to require the cashier to document the reason when their cash on hand count is over or under the POS amount by a specified dollar amount (e.g., \$5) during the closing process.
4. Ensure compliance with the requirement for the cashiers to sign the deposit slips when preparing the daily receipts to be picked up by the District Courier.
5. Establish procedures to require the cashiers to clearly document the name of their school and the POS terminal information on the deposit slip to clearly identify the location of such receipts.
6. Develop procedures to have a second food services worker count the receipts after the cashier has completed their count. This process should be completed before the cashier prepares the bank deposit slip and the second food services worker signs off on the deposit slip in addition to the cashier.

EXTRACLASSROOM ACTIVITIES

Background:

We performed a review of the District's extraclassroom activities that included meetings, discussions and testwork to determine the effectiveness of the area in complying with policies and procedures. The District has extraclassroom activity funds being accounted for at each of the two secondary schools: the HS and the MS.

The New York State Education Department (NYSED) has developed a manual for recommended practices related to extraclassroom activities titled *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds – Finance Pamphlet 2* (Finance Pamphlet 2). Finance Pamphlet 2 provides recommendations for systems and procedures to be used to ensure that extraclassroom activities are properly administered.

Club Advisors are Board approved for all bona-fide clubs. Bona-fide clubs have a club charter and student officers. The HS Central Treasurer and the MS Central Treasurer are involved in the day to day accounting for extraclassroom accounts that includes preparing deposits, recording deposits, preparing purchase orders, writing checks and recording expenses. The Central Treasurer prepares a pre-numbered receipt for each transaction and provides a copy of the receipt to the club advisor. A monthly reconciliation is prepared by the Central Treasurer then sent to the Business Office for review and approval by the District Treasurer.

Summary:

We found opportunities for improvement related to extraclassroom activities as a result of our engagement. These items are described further in the findings and recommendations sections below. We recommend that the District implement these recommendations to further strengthen internal controls and/or improve operational efficiencies related to extraclassroom activities.

Procedures:

Our procedures related to extraclassroom activities, as per the engagement letter dated July 1, 2018, were as follows:

- Review Board policies and District procedures related to the extraclassroom activities.

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- Interview central treasurers and Business Office personnel responsible for extraclassroom activities regarding policies, procedures and systems in effect and document the strengths, weaknesses and key control attributes for testing.
- Review the extraclassroom activities during the period as follows:
 - For student clubs – select the 5 most active clubs and review for compliance with Commissioner of Education (CR) §172.1 and the NYSED manual titled *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds* (e.g., student officers, proper forms and accounting records).
 - For student clubs – interview advisors from 5 active clubs (3 at the HS and 2 at the MS) to ensure that they are familiar with the laws and guidelines of CR §172.1 and Finance Pamphlet 2 and determine if there are proper controls over the clubs' transactions.
 - For fundraisers – review the procedures related to fundraisers and determine if there are any weaknesses or opportunities for improvement related to these processes.
 - For cash disbursements from the activity funds – select 25 payments from randomly selected clubs to ensure proper approvals, adequate supporting documentation and appropriateness of each expenditure.
 - For cash receipts – select 25 receipts from randomly selected clubs to ensure proper documentation, accuracy of totals and appropriate controls over collections (i.e., receipt books). If the deposit relates to a fundraising event, ensure that the event was properly approved in advance by an administrator (e.g., school principal), the funds had been submitted in a timely manner to the central treasurer and the deposit included appropriate supporting documentation (e.g., accounting for the number of tickets sold). Analyze the total receipts from the fundraising event for reasonableness (e.g., sale price per item times the number of items sold) and compare the deposit information to the number of items purchased if possible.
 - Identify the fundraising events that have occurred during this period to the greatest extent possible (e.g., through inquiry and review of club records, the high school paper, local media print, etc.) and determine if the funds had been appropriately deposited with the central treasurer.

Findings:

Review of Board policies and District procedures and interviews with the central treasurers and Business Office personnel related to extraclassroom activities noted:

- The District has Board policies related to extraclassroom activities: *Policy 1335 – Duties of the Extraclassroom Activities Funds Treasurer(s)*, *Policy 5520 – Extraclassroom Activities Fund*, *Policy 5530 – Petty Cash Funds and Cash in School Buildings*, However, there is no policy that addresses the procedures to handle remaining funds when clubs are closed out or the duties of the club advisor and the student officer positions, particularly the student treasurer.
- There is opportunity for improvement related to monitoring the inactive clubs at the secondary schools, as noted in the external auditor's management letter for the year ended June 30, 2018. We noted that there had been 11 clubs at the HS and 2 clubs at the MS with starting balances, but there was no financial activity based on our review of the Extraclassroom Activities Fund in the financial statements for the year ended June 30, 2018.

Review of the selected 5 most active clubs and interviews with advisors from the selected 5 active clubs found:

- The Finance Pamphlet 2 issued by the NYSED requires that clubs have student officers and student involvement in the activities. However, we found that there are non-bona fide clubs in the extraclassroom

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activities fund where there are no student officers and/or student involvement in the club. The activities of these clubs are handled by advisors and/or the principal.

- The HS Main Office has a process to validate that the clubs are fulfilling their requirements by requiring the clubs to document the periodic meetings, the number of students, etc. However, we found that the HS School Store had no financial activity during the 2017-18 year, as per the Extraclassroom Activities Fund in the financial statements for the year ended June 30, 2018, and no financial activity during this 2018-19 year through our scope period ended October 31, 2018, as per the HS Central Treasurer's records. After we informed the Business Office about this finding to determine if there have been stipend payments to the advisor(s), the District investigated this matter and found that there has been activity with the HS School Store. However, the club has not been compliant with submitting the records with the HS Central Treasurer. At the time of this report, the District was still investigating this item.
- There is a conflict of interest with one of the Drama Club co-advisors, since the employee is also the HS Central Treasurer and approves the standard receipts and check request forms even when the reimbursements are related to this employee. Although the other co-advisors are aware of these transactions, the preferred practice would be to require the co-advisors to approve the forms instead of the co-advisor who has the conflicting duty of being the HS Central Treasurer.
- There are clubs that do not maintain their own independent financial records as required by the NYSED. We note that the transactions of these clubs are only being recorded by the central treasurers.
- The MS School Store uses a cash box for managing the sales activities instead of newer technology (e.g., POS system).

Review of the selected 25 payments (15 from the HS and 10 from the MS) totaling \$19,742 from various clubs to ensure proper approvals, supporting documentation and appropriateness of expenditure noted:

- There were 7 instances where the payment request form was missing the proper signatures.
- There were 5 instances where there was a lack of supporting documentation related to donations as noted on the payment request form.

Review of the selected 25 receipts (15 from the HS and 10 from the MS) totaling \$149,336 from various clubs to ensure proper documentation, accuracy of totals and appropriate controls over collections (i.e., receipt books) found:

- There is a lack of documentation supporting most of the receipts (e.g., listing of the products sold; list of the pre-numbered tickets sold; student listings; profit and loss statement; etc.) that are submitted to the central treasurer. A loss of funds can often be traced to a lax pre-audit of receipts and lack of adequate documentation to support the money collected.
- Advisors and students are not always ensuring the accuracy of cash receipts and it appears that the clubs are not always using pre-numbered tickets or other methods to better control the accounting of funds. The central treasurers stated that variances between the receipt forms and actual cash do occur.
- There were 16 instances where the deposit form was missing the proper signatures. Further review found that the HS deposit form excludes an area for the Student Treasurer to sign, so none of the 15 receipts selected from the HS had a student treasurer sign-off. There was 1 receipt out of the 10 receipts selected from the MS that was missing the Student Treasurer approval.
- The timeliness related to the deposits by the HS Central Treasurer should be improved because we noted that there are instances when the cash receipts are maintained in the safe for as long as a month. This increases the potential risk of funds being misplaced or lost and also violates *Board Policy 5530 – Petty*

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Cash Funds and Cash in School Buildings that states "all funds, whether District or extraclassroom funds, shall be deposited in the bank prior to close of school each week."

Identifying the fundraising events that have occurred during this period to the greatest extent possible to determine if the funds had been appropriately deposited with the Central Treasurer noted:

- There are procedures that require all fundraisers to be pre-approved by a HS Assistant Principal and the MS Principal. The HS requires the clubs to submit a standard fundraising application form in advance of the proposed event to the Student Government Association (SGA) Club Advisor. However, we found that:
 - The SGA Club Advisors discards the fundraising applications at the end of the year instead of maintaining these records for at least 1 subsequent year.
 - There were instances where the fundraising application was missing the proper signatures or some fields had not been completed.
 - The fundraising applications are not used to ensure that the receipts from the events are submitted to the HS Central Treasurer timely.

Recommendations:

We recommend that the District consider implementing the following item to further improve internal controls and operational efficiencies related to extraclassroom activities:

1. Expand or create a new Board policy to address the duties of the Club Advisor and the Student Treasurer positions, as well as, procedures to handle remaining funds when closing clubs.
2. Develop procedures to monitor the inactive accounts at the secondary schools, as noted in the external auditor's management letter for the year ended June 30, 2018. We recommend that the designated administrators work with the central treasurer at each secondary school and collaborate with the Business Office to determine the reason for any club with inactivity during the year and, if necessary, make any potential adjustments to the stipends paid to the respective advisors.
3. Determine whether or not each extraclassroom activity is a bona-fide club per CR §172 and Finance Pamphlet 2. Included within the pamphlet is the regulation that each club shall have student officers as president, secretary and treasurer who are involved in the financial activities of the club.
4. Ensure that the process in the HS Main Office to validate that the clubs are fulfilling their requirements to document the periodic meetings, to maintain an acceptable number of students, to ensure transactions (receipts and disbursements) are submitted to the HS Central Treasurer, etc., is being completed thoroughly to substantiate the stipends paid to the club advisors. We also recommend that the District continue with their efforts to obtain the records related to the HS School Store that were handled by the club instead of being properly submitted to the HS Central Treasurer.
5. Address the conflicts of interest where the Central Treasurer is also a club advisor by requiring someone independent (e.g., co-advisor or other advisor) to prepare and sign off on the standard forms prepared for those clubs, instead of the Central Treasurer preparing the standard forms (receipts and payments).
6. Establish procedures to require each club to maintain a financial ledger and confirm in writing that ledger with the central treasurer at least once during the year and at the end of the year.
7. Investigate the use of newer technology (e.g., POS system) for the MS School Store to replace the current cash box. This would significantly strengthen internal controls, enhance operational efficiencies and provide an excellent learning opportunity for the students involved with this club.

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8. Revise the HS deposit form to include an area for the name and signature of the Student Treasurer. Also, develop procedures to require that all deposit forms and payment request forms are properly signed (e.g., club advisor, student treasurer, principal) and include appropriate documentation to support the payment request forms prior to submitting these forms to the Central Treasurer for processing.
9. Strengthen controls related to receipts, particularly cash, at the club level since the collection of funds has a high level of inherent risk. In order to facilitate the pre-audit and recording of receipts, statements should be made by those collecting money. Such a statement should, on its face, include all of the essential data for a complete check and audit of the receipts. We recommend that the forms used to account for transactions be revised to provide an expanded comment or description section in which the Club Advisor can fully explain the transaction and completely account for the items by documenting the purchase information and utilize pre-numbered receipts or tickets (i.e., number of items purchased, number of items sold, the number of left over items and the status of the remaining items).
10. Develop procedures to ensure that the receipts (i.e., cash and checks) are submitted by the clubs to the central treasurer on a timely basis. These deposits should occur as soon as possible, so the receipts are not being maintained by the clubs.
11. Improve the timeliness of deposits made by the HS Central Treasurer to reduce the amount of time that the receipts are maintained in the HS safe. In the event that there is a significant amount of cash on hand, the funds should be deposited in the bank immediately. As per *Board Policy 5530 – Petty Cash Funds and Cash in School Buildings*, all funds, whether District or extraclassroom funds, shall be deposited in the bank prior to close of school each week.
12. Establish procedures to improve the handling of the HS fundraising applications as follows:
 - a) Ensure that the fundraising applications are submitted by the clubs to the HS Student Government Association (SGA) Club Advisor as required with all fields completed and proper signatures.
 - b) Monitor the fundraising applications to ensure that the receipts from the event are submitted to the HS Central Treasurer timely.
 - c) Assign the task of performing a periodic reconciliation of the fundraising applications to the deposits to determine if the receipts from all events have been submitted to the HS Central Treasurer and if each submission of funds was timely.
 - d) Require the HS SGA Club Advisor to maintain the fundraising applications for at least 1 subsequent fiscal year.

RED AND BLUE EVENT

Background:

We performed a detailed review of the Red and Blue Event that included interviews with staff responsible for the collections and receipts activities of this annual event to ensure that the controls over collections are appropriate (i.e., receipt books) and the submission of funds to the Business Office are timely. The scope of work also included a review of the receipts activity from the Red and Blue Event held during the 2017-18 year to determine if there was proper documentation to validate the amount of funds submitted to the Business Office.

The Red and Blue Event takes place during a March weekend on Thursday, Friday and Saturday evenings. There are approximately 400 girls from grades 9 through 12 who participate in the event. There are revenues and expenditures associated with the event as follows:

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Revenues – ticket sales for the event which is held on a Thursday, Friday and Saturday night. The Thursday night sales take place at the door on the evening of the competition. The price for a ticket is \$5 and the Director of Athletics uses a clicker to track the number of participants, this count is used to document the admission sales for the evening. In addition to using the counter, there are multiple people involved in the collections and preparation of this deposit. The ticket sales for the Friday and Saturday competitions must be paid in advance with check or money order. The ticket sales are tracked since each one represents a specific seat for the event. The ticket price for these two evenings is \$10 per seat. There are t-shirts that are sold to the Red and Blue team members who must purchase these items at a cost of \$10 each. The team members also pay fees of \$40 each towards the cost of costumes and props for the event. Lastly, there are donations that are received from participants on the evenings of the events and this is generally in the form of cash. This is accounted for separately on a hand-written note pad. The protocols require multiple people being involved in collecting funds and preparing this deposit.

Expenditures – the payouts include the cost of the t-shirts, costumes and props for the event. In addition, there are charitable contributions paid to select organizations that represents a total amount of donations collected during the event.

The Red and Blue teams are assigned a team treasurer, 4 adult advisors and 2 faculty co-directors to manage the financial activities. They are responsible for collecting the money from their respective team members related to the t-shirts (\$10 per student) and fees for costumes and props (\$40 per student). In addition, the Director of Athletics provides each team with \$2,000 of the ticket sales. These funds are used by the teams to purchase costumes and props. They are required to maintain appropriate records to support the transactions.

There are adequate controls related to the receipts and disbursements including the use of triplicate receipt books by the teams when collecting fees from team members, more than 1 person involved with the collecting and counting of cash from the Thursday ticket sales and donations, verification of the deposits by the Director of Athletics and the co-directors, safeguarding all receipts in the safe within the Athletics Office with restricted access until the funds are deposited with the Business Office and using sealed bank bags to submit funds to the Business Office.

Summary:

We found that the District has internal controls, proper segregation of duties and formal procedures related to the Red and Blue Event. Based on the results of our interviews, examination of the 2017-18 activities and review of documentation, we found some opportunities to further improve internal controls and operational efficiencies related to the Red and Blue Event, as noted below.

Procedures:

Our procedures related to the Red and Blue Event, as per the engagement letter dated July 1, 2018, were as follows:

- Interview staff responsible for the collections and receipts activities of the annual Red and Blue Event to ensure that the controls over collections are appropriate (i.e., receipt books) and the submission of funds to the Business Office are timely.
- Review the receipts activity from the Red and Blue Event held during the 2017-18 year to determine if there was proper documentation to validate the amount of funds submitted to the Business Office.

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Findings:

Interviews with staff responsible for the collections and receipts activities of the annual Red and Blue Event noted:

- The teams are required to maintain detailed records of the financial activities for the event. There are points awarded to the red and blue teams based on the quality of these records. Our review of the binders of each team and the records maintained in the Director of Athletics office for the 2017-18 event found that all of the revenues and expenditures had been properly documented and supported these amounts.
- The Director of Athletics has improved the receipts documentation that is provided to the Business Office by including the price per ticket (\$10) and the number of tickets sold to support the deposits related to the advance ticket sales for Friday and Saturday evenings. However, we found that the receipts documentation related to the ticket sales at the door for Thursday evening excludes the price per ticket (\$5) and the number of tickets sold.
- There are no formal procedures to clearly document any remaining funds in the team accounts should there be a surplus of funds if the revenues exceeded the expenditures for the event.

Review of receipts activity from the Red and Blue Event held during the 2017-18 year found:

- The timeliness related to submitting the receipts to the Business Office could be improved, since we found that there were 4 deposits for the Red and Blue Event that were submitted weeks after the event ended on March 10, 2018. However, there were deposits posted on April 17, April 19, and June 24 (2).
- There are receipts and disbursements activities of the Red and Blue Event that are recorded in the Trust and Agency Fund account T389RB. We note that there has been an increasing balance in this account over the years with an amount of \$20,423 at November 30, 2018. This is a \$14,466 increase from the balance 3 years ago of \$5,957 at June 30, 2015.

Recommendations:

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to the Red and Blue Event:

1. Develop procedures to ensure that the Red and Blue Event deposits are submitted to the Business Office timely (i.e., the week after the event ends).
2. Establish a plan to spend the surplus funds in the Trust and Agency account related to the Red and Blue Event that had a balance of \$20,423 at November 30, 2018.
3. Improve the receipts documentation related to the ticket sales at the door for Thursday evening by including the price per ticket (\$5) and the number of tickets sold on the deposit form submitted to the Business Office.
4. Develop procedures to require each team to prepare a summary report listing the revenues (i.e., ticket sales, t-shirt sales, etc.) and expenditures related to the event. We also recommend that this summary report include a balance and if there were any surplus funds, this should be included in the receipts submitted to the Business Office and clearly noted on deposit form.

**Rockville Centre Union Free School District
Intramural Correspondence**

To: William H. Johnson, Ed.D., Superintendent of Schools
Board of Education Rockville Centre UFSD
From: Robert Bartels
Subject: Corrective Action Plan to Address the Matters cited in the
Independent Accountant's Report On Applying Agreed-Upon Procedures dated
January 23, 2019
Date: April 12, 2019

The Independent Accountant's Report On Applying Agreed-Upon Procedures dated January 23, 2019 submitted by Cullen & Danowski, LLP contained a number of comments and recommendations to strengthen our internal accounting system. The report has been reviewed the responses and corrective actions identified as necessary. Each of those responses and corrective actions is listed in detail below following the audit findings as they were presented in the report. Numbers have been assigned to each of the findings to assist in future discussions and reports on the status of these findings and corrective actions. It should be noted that the auditors did not identify any material weaknesses. It should also be noted that while all of the audit recommendations would add additional controls, there will always be additional controls to be recommended. Each recommendation has been reviewed and responded to as deemed appropriate by the business office.

Recommendations from the Independent Accountant's Report On Applying Agreed-Upon Procedures dated January 23, 2019

FOOD SERVICE

Recommendations:

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to food services:

1. Establish procedures to use a standard log at all cafeterias for the District Courier to initial along with the date and time whenever a bank bag is collected from a food services employee.

Management Action Plan

The district has implemented procedures to use a log at each cafeteria. The District Courier and the food services worker who is presenting the bank bag to the District Courier will sign the log. The Food Service Director will periodically check the log at each location in order to ensure compliance with this procedure.

Completed.

2. Perform an assessment of the food services operations in the HS faculty lounge related to the revenues, expenditures, inventory, discarded items (e.g., unsold meals) and other factors, to determine if maintaining this location is cost beneficial.

Management Action Plan

After the current school year, the Food Service Director will discontinue operations in the HS faculty lounge due to low sales volume.

Anticipated Completion – September 2019

3. Establish procedures to require the cashier to document the reason when their cash on hand count is over or under the POS amount by a specified dollar amount (e.g., \$5) during the closing process.

Management Action Plan

The Food Service Director has asked each cashier to document the reason for any differences when their cash on hand count is over or under the POS amount by \$5.

Completed

4. Ensure compliance with the requirement for the cashiers to sign the deposit slips when preparing the daily receipts to be picked up by the District Courier.

Management Action Plan

The Food Service Director has asked all cashiers to clearly sign the deposit slips. The bank returns all deposit slips to the Business Office. All deposit slips are reviewed by the Business Office to ensure that the cashiers are following this procedure.

Completed

5. Establish procedures to require the cashiers to clearly document the name of their school and the POS terminal information on the deposit slip to clearly identify the location of such receipts.

Management Action Plan

The Food Service Director has asked all cashiers to indicate the name of their school and, in the case of the Middle School and High School, the POS terminal information on their deposit slips. Deposit slips are returned to the Business Office after being processed at the bank. The Business Office will review the deposit slips to ensure that this procedure is being followed.

Completed

6. Develop procedures to have a second food services worker count the receipts after the cashier has completed their count. This process should be completed before the cashier prepares the bank deposit slip and the second food services worker signs off on the deposit slip in addition to the cashier.

Management Action Plan

The Food Service Director has asked all cashiers to have a second food services worker count the receipts after they have completed their count. Each food services worker should sign off on the deposit slip. Deposit slips are returned to the Business Office after being processed at the bank. The Business Office will review the deposit slips to ensure that this procedure is being followed.

Completed

EXTRACLASSROOM ACTIVITIES

Recommendations:

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to extraclassroom activities:

7. Expand or create a new Board policy to address the duties of the Club Advisor and the Student Treasurer positions, as well as, procedures to handle remaining funds when closing clubs.

Management Action Plan

The District Treasurer will collaborate with the Central Treasurers to address this recommendation.

Anticipated Completion – 2019/2020 School Year

8. Develop procedures to monitor the inactive accounts at the secondary schools, as noted in the external auditor's management letter for the year ended June 30, 2018. We recommend that the designated administrators work with the central treasurer at each secondary school and collaborate with the Business Office to determine the reason for any club with inactivity during the year and, if necessary, make any potential adjustments to the stipends paid to the respective advisors.

Management Action Plan

The District Treasurer will collaborate with the Central Treasurers to address this recommendation.

Anticipated Completion – 2019/2020 School Year

9. Determine whether or not each extraclassroom activity is a bona-fide club per CR §172 and Finance Pamphlet 2. Included within the pamphlet is the regulation that each club shall have student officers as president, secretary and treasurer who are involved in the financial activities of the club.

Management Action Plan

The District Treasurer will collaborate with the Central Treasurers to address this recommendation.

Anticipated Completion – 2019/2020 School Year

10. Ensure that the process in the HS Main Office to validate that the clubs are fulfilling their requirements to document the periodic meetings, to maintain an acceptable number of students, to ensure transactions (receipts and disbursements) are submitted to the HS Central Treasurer, etc., is being completed thoroughly to substantiate the stipends paid to the club advisors. We also recommend that the District continue with their efforts to obtain the records related to the HS School Store that were handled by the club instead of being properly submitted to the HS Central Treasurer.

Management Action Plan

The Assistant Superintendent for Business has contacted the HS Main Office about this comment. The HS Assistant Principal has provided sign in sheets documenting club meetings and activities in order to substantiate payment of stipends and the continuation of clubs at the high school.

Anticipated Completion – 2019/2020 School Year

11. Address the conflicts of interest where the Central Treasurer is also a club advisor by requiring someone independent (e.g., co-advisor or other advisor) to prepare and sign off on the standard forms prepared for those clubs, instead of the Central Treasurer preparing the standard forms (receipts and payments).

Management Action Plan

The District Treasurer will collaborate with the Central Treasurer to address this recommendation.

Anticipated Completion – 2019/2020 School Year

12. Establish procedures to require each club to maintain a financial ledger and confirm in writing that ledger with the central treasurer at least once during the year and at the end of the year.

Management Action Plan

The District Treasurer will collaborate with the Central Treasurers to address this recommendation.

Anticipated Completion – 2019/2020 School Year

13. Investigate the use of newer technology (e.g., POS system) for the MS School Store to replace the current cash box. This would significantly strengthen internal controls, enhance operational efficiencies and provide an excellent learning opportunity for the students involved with this club.

Management Action Plan

The District Treasurer will collaborate with the Central Treasurer to address this recommendation.

Anticipated Completion – 2019/2020 School Year

14. Revise the HS deposit form to include an area for the name and signature of the Student Treasurer. Also, develop procedures to require that all deposit forms and payment request forms are properly signed (e.g., club advisor, student treasurer, principal) and include appropriate documentation to support the payment request forms prior to submitting these forms to the Central Treasurer for processing.

Management Action Plan

The District Treasurer will collaborate with the Central Treasurer to address this recommendation.

Anticipated Completion – 2019/2020 School Year

15. Strengthen controls related to receipts, particularly cash, at the club level since the collection of funds has a high level of inherent risk. In order to facilitate the pre-audit and recording of receipts, statements should be made by those collecting money. Such a statement should, on its face, include all of the essential data for a complete check and audit of the receipts. We recommend that the forms used to account for transactions be revised to provide an expanded comment or description section in which the Club Advisor can fully explain the transaction and completely account for the items by documenting the purchase information and utilize pre-numbered receipts or tickets (i.e., number of items purchased, number of items sold, the number of left over items and the status of the remaining items).

Management Action Plan

The District Treasurer will collaborate with the Central Treasurers to address this recommendation.

Anticipated Completion – 2019/2020 School Year

16. Develop procedures to ensure that the receipts (i.e., cash and checks) are submitted by the clubs to the central treasurer on a timely basis. These deposits should occur as soon as possible, so the receipts are not being maintained by the clubs.

Management Action Plan

The District Treasurer will collaborate with the Central Treasurers to address this recommendation.

Anticipated Completion – 2019/2020 School Year

17. Improve the timeliness of deposits made by the HS Central Treasurer to reduce the amount of time that the receipts are maintained in the HS safe. In the event that there is a significant amount of cash on hand, the funds should be deposited in the bank immediately. As per Board Policy 5530 – Petty Cash Funds and Cash in School Buildings, all funds, whether District or extraclassroom funds, shall be deposited in the bank prior to close of school each week.

Management Action Plan

The District Treasurer will collaborate with the Central Treasurer to address this recommendation.

Anticipated Completion – 2019/2020 School Year

18. Establish procedures to improve the handling of the HS fundraising applications as follows:
- a. Ensure that the fundraising applications are submitted by the clubs to the HS Student Government Association (SGA) Club Advisor as required with all fields completed and proper signatures.
 - b. Monitor the fundraising applications to ensure that the receipts from the event are submitted to the HS Central Treasurer timely.
 - c. Assign the task of performing a periodic reconciliation of the fundraising applications to the deposits to determine if the receipts from all events have been submitted to the HS Central Treasurer and if each submission of funds was timely.
 - d. Require the HS SGA Club Advisor to maintain the fundraising applications for at least 1 subsequent fiscal year.

Management Action Plan

The District Treasurer will collaborate with the Central Treasurer and Assistant Principal to address this recommendation.

Anticipated Completion – 2019/2020 School Year

RED AND BLUE EVENT

Recommendations:

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to the Red and Blue Event:

19. Develop procedures to ensure that the Red and Blue Event deposits are submitted to the Business Office timely (i.e., the week after the event ends).

Management Action Plan

The Director of Athletics has developed procedures to ensure that deposits are submitted to the Business Office on a timely basis. The Business Office will follow up with the Director of Athletics to ensure that timely deposits are made.

Completed

20. Establish a plan to spend the surplus funds in the Trust and Agency account related to the Red and Blue Event that had a balance of \$20,423 at November 30, 2018.

Management Action Plan

The Director of Athletics is developing a plan to spend the surplus funds in the Trust and Agency account related to the Red and Blue Event.

Anticipated Completion – June 2019

21. Improve the receipts documentation related to the ticket sales at the door for Thursday evening by including the price per ticket (\$5) and the number of tickets sold on the deposit form submitted to the Business Office.

Management Action Plan

The Director of Athletics provided the Business Office with documentation of Thursday evening receipts for this year's Red and Blue Event.

Completed

22. Develop procedures to require each team to prepare a summary report listing the revenues (i.e., ticket sales, t-shirt sales, etc.) and expenditures related to the event. We also recommend that this summary report include a balance and if there were any surplus funds, this should be included in the receipts submitted to the Business Office and clearly noted on deposit form.

Management Action Plan

The Director of Athletics has developed procedures for each team to summarize revenues and expenditures related to the Red and Blue Event.

Completed