

---

**Blind Brook-Rye Union Free School District  
School Business Office  
390 North Ridge Street  
Rye Brook, New York 10573**

---

TO: Bill Stark

FROM: Jon Ross

RE: **INTERNAL AUDIT: 2009-2010 Agreed Upon Procedures Report  
*Corrective Action Plan – Extraclassroom Activities***

DATE: 12/10/09

Per engagement letter with the Board-appointed internal auditors, Coughlin Foundotos Cullen & Danowski, LLP (CFCD), they conducted an analysis of the District's internal controls and procedures for financial operation of its extraclassroom activities program for the period September 1, 2008 to September 30, 2009. The results of their study are contained in the enclosed report booklet.

While I am concerned that the audit study findings informed of a number of shortcomings, I do not believe any instance of fraud was found, nor exists. Notwithstanding this, I do acknowledge that financial controls must be strengthened and all administrative and faculty advisers need to embrace the concept that the financial management of extraclassroom activities is an educational opportunity for all student participants.

On the pages that follow is the corrective action plan details relative to the eleven recommendations listed in the report dated November 4, 2009.

---

*Recommendation 1: "We recommend that the District consider how to organize the responsibilities of the "faculty auditor". As outlined in Pamphlet 2, this role is critical to provide an overall control to the activities. Without a review by an independent third party there is limited oversight to the overall financial operations of the clubs. In addition, this person would be responsible to review the activities of the clubs and would be trained to be aware of potential issues."*

**The District Treasurer will serve as Faculty Auditor (Extraclassroom Activity Auditor) effective immediately. Additionally, all persons connected to extraclassroom activities will be responsible for reading and understanding the contents of Pamphlet 2, located at the following hyperlink:**

**<http://www.emsc.nysed.gov/mgtserv/accounting/docs/ExtraclassroomActivitiesOctober2008.pdf>**

*Recommendation 2: "We recommend that the District document written procedures regarding the processing of extraclassroom activities for the High School and Middle School. These procedures should detail the responsibilities of the Central Treasurer, as well as, the student treasurer and faculty advisers. Each year, the student treasurer and faculty advisers should be required to certify that they have read the procedures and understand their respective procedures."*

**Note that Policy 5520 has been adopted by the Board and can be referenced at this hyperlink:**

**<http://www.myschoolpages.com/schools/blindbrook/policies.cfm?pid=12438&searchwords=extraclassroom>**

**More important are operating procedures. Therefore, written procedures are contained in administrative regulation 5520R which is currently in draft form. We are preparing regulations for policy series 3000 to 8000 and I plan to present these to the Board for their review sometime in the next few weeks. Attached is a copy of the draft extraclassroom procedures (5520R) for the benefit of all concerned. Once approved by the Board they will be issued to all per the recommendation.**

***Recommendation 3:** "We recommend that the Central Treasurer and faculty advisers be reminded that sales tax should be charged by suppliers. Invoices without sales tax should be returned to the supplier requesting a corrected invoice that includes applicable sales tax."*

**With all due respect to the internal auditor, I do not think it is the responsibility of club advisers or students to remind vendors that they must include sales tax when invoicing the club.**

*Recommendation 4: "We recommend that both the Faculty Adviser and the Student Treasurer independently agree the deposit amount and sign the Deposit Form prior to sending to the Central Treasurer for deposit. In the event that there are not two signatures on the Form, the Central Treasurer should return for the proper signatures."*

**The Central Treasurer will require that both the faculty adviser and student treasurer sign all deposit forms effective immediately.**

*Recommendation 5: "We recommend that the Central Treasurer maintain (after defacing the check) any voided checks with the extraclassroom documentation for the fiscal year."*

**The Central Treasurer will deface and save all voided checks effective immediately.**

*Recommendation 6: "We recommend that the Central Treasurer periodically send statements to the individual faculty advisers and at year-end confirm balances with the faculty advisers, as well as, collect the clubs' records."*

**The Central Treasurer will send quarterly statements to all club advisers effective immediately. At year end, the Central Treasurer will also collect all financial records from each club adviser and they will be safeguarded in her office.**

*Recommendation 7: "We recommend that all clubs have two student officers (i.e. Student Treasurer and Student President) to comply with Pamphlet 2, which recommends a student president and student treasurer for each club, and that each year these roles be formalized by the use of an annual charter.*

**All clubs advisers will be informed that each club must have two student officers, a student president and a student treasurer effective immediately. Each club will establish and submit its charter by April 30, 2010.**

*Recommendation 8: "We recommend that the District consider strengthening controls over the cash receipts process at the individual club level since a loss of funds can often be traced to a negligent pre-audit of receipts and recording of money received. For this reason, every possible precaution should be taken to protect the individual concerned and the money collected. 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, state all essential data for a complete check and audit of receipts. We recommend that the forms used to account for transactions be revised to provide expanded comment and description section in which the faculty adviser can fully explain the transaction. We also suggest that training material should be provided to explain procedures to properly document a transaction. For example, a deposit for a fundraising event might show the receipts and could reference the cost of the event. A simple written comment such as, "These are the final receipts from the cheesecake fundraiser. The total receipts were \$8,000 and the cost was \$3,000 leaving a surplus of \$5,000," would certainly provide an indication that the activities were understood and under control. Alternatively, the District could consider utilizing a "Profit and Loss" form for each fundraising activity. This is the process recommended in Pamphlet 2."*

**A training session for all club advisers and student officers will be set-up and conducted in January 2010. The District Treasurer and Central Treasurer will be present. I will facilitate the training session. The attached PowerPoint will be used as the basis for delivering the training.**

*Recommendation 9: "We recommend that the faculty advisers and club student treasurers be instructed to keep the sources of funds discrete and separated and to make individual deposits based upon the source of funds. In other words, deposits from one revenue source should not be commingled with another. This allows the activities to be more easily reviewed.*

**This practice will be implemented effective immediately.**

*Recommendation 10: "We recommend that all disbursements be accompanied by a Disbursement Form signed by a Faculty Advisor, Student Treasurer, and the Principal, along with a detailed invoice or receipt be submitted to the Central Treasurer. If*

*signatures are missing or if the invoice or receipt is not detailed, the Central Treasurer should return the Disbursement Form for the appropriate signature of documentation.*

**The use of a disbursement form and the recommended procedures will be implemented effective immediately.**

*Recommendation 11: "We recommend that the District set up a process to issue the required Forms 1099 to suppliers paid through extraclassroom accounts when payments during a calendar year exceed \$600.*

**The District Treasurer and Central Treasurer will work collaboratively to ensure that Forms 1099 will be issued to any supplier where payments exceed \$600 in a calendar year.**

---

Please let me know if you or any Board Member has questions.

Enclosure

Copy to: Board of Education  
Audit Committee Members  
Philip Silano  
Audrey Currie