

**SPACKENKILL UNION FREE SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS**

**Communication of Matters Related to Internal Control
Over Financial Reporting and Other Matters
November 2012**

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To the Board of Education of the
Spackenkill Union Free School District:

In planning and performing our audit of the financial statements of the Extraclassroom Activities of the Spackenkill Union Free School District (the District) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the District's internal control to be significant deficiencies.

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

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**SPACKENKILL UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS**

**COMMUNICATION OF MATTERS RELATED TO INTERNAL CONTROL OVER FINANCIAL
REPORTING AND OTHER MATTERS
NOVEMBER 2012**

A) INTERNAL CONTROL - OPERATIONAL RELATED MATTERS

This is our second year as the District's Independent Auditors. As part of planning and performing our audit of the District's Extraclassroom Activities financial statements, we noted the following status updates for our prior year comments on the Extraclassroom Activities.

	Completed	In Process
Prior year recommendations:		
Internal Control/Operational Related Matters:		
Receipts procedures and documentation		X
Disbursements procedures and documentation		X
Inactive clubs		X

In addition to the prior year comments, we identified the following control deficiencies and significant deficiencies over the District's Extraclassroom Activities.

We recommend that a formal written District Administration response and implementation plan related to each of these recommendations be prepared and reviewed with the Audit Committee within sixty days of the date of this report.

1. RECEIPTS PROCEDURES AND DOCUMENTATION – SIGNIFICANT DEFICIENCY

Observation

We reviewed the cash receipts collection procedures and documentation at the High School and Middle Schools. We noted the following:

- Eleven (11) of the twenty-five (25) deposit transactions tested did not include information to substantiate that the cash presented for deposit represented all the cash collected.
- One of the twenty-five (25) deposit transactions tested were not deposited within three to five business days from the date of collection.

Recommendation

To reduce the loss of funds either by accident or misappropriation, we recommend that the District instruct Central Treasurers, Faculty Advisors, and others involved with the Extraclassroom Activity Funds on the requirements for proper documentation of receipts and the timeliness of deposits as required under New York State Department of Education Finance Pamphlet No. 2. Collections presented for deposit should provide evidence of dates of collection activity along with documentation as outlined in Finance Pamphlet No. 2. All documentation should be retained with the deposit transaction as support for the deposit. In addition, every attempt to note the date(s) of the collection activity and the date the collections was delivered to the Central Treasurer.

A) INTERNAL CONTROL - OPERATIONAL RELATED MATTERS (CONTINUED)

2. DEPOSIT OF GRANT FUNDS – DEFICIENCY

Observation

In our testing of deposits for the Todd Middle School Extraclassroom Activities Accounts, we noted a deposit of \$1,964 in the Tech. Club account from the Community Foundation of the Hudson Valley. The grant was in recognition of two teachers at the school. The check was in the name of the Spackenkill Union Free School District, without any reference to the Extraclassroom Activity account. It is our understanding that this check was not presented to the District's Board of Education for acknowledgement and determination of in which account it should be deposited. The funds were used by the Tech. Club to purchase audio visual devices. Without the acknowledgement of the Board of Education, it is not clear if the grant was intended for use by the Extraclassroom Activity funds.

Recommendation

We recommend that District Administration review the circumstances of the receipt of the grant funds and take appropriate action to provide acknowledgement of receipt of the funds from the grantor and make a determination as to the appropriateness of the grant expenditures. In addition, we recommend that District Administration communicate to District employees that unless the intended payee/purpose is clearly stated, any grant or donated funds received should be directed to the District Treasurer for review and approval for use of such funds by the District Board of Education.

3. INCOMPLETE DEPOSIT - DEFICIENCY

Observation

We noted in our testing of cash receipts that a deposit for the Class of 2012 at the High School was in the amount of \$1,960 net of a tip payment to the bus driver for a class excursion. The original collection was for \$2,070 less a reported tip of \$110 that was removed from the cash collected. The practice of netting payments from cash collections does not ensure that the cash was actually used for its stated purpose, and understates both the collections and disbursements for the activity.

Recommendation

We recommend that collections be deposited as collected. Payments for tips or similar transactions should be arranged with the bus company separately and noted on the invoice.

4. DISBURSEMENTS PROCEDURES AND DOCUMENTATION - DEFICIENCY

Observation

We reviewed the disbursements procedures and documentation at the High School and Middle Schools. We noted the following:

- One transaction in the High School, dated June 21, 2012, in the amount of \$1,406.99, in payment of tickets to "Six Flags", did not include the signature of the student treasurer or the Principal in lieu of the student treasurer if he/she was not available.

A) INTERNAL CONTROL - OPERATIONAL RELATED MATTERS (CONTINUED)

4. DISBURSEMENTS PROCEDURES AND DOCUMENTATION (CONTINUED)

Recommendation

We recommend that all disbursements be properly signed payment vouchers. For those disbursements that do not lend themselves to an invoice, we recommend the attachment of student activity minutes when submitting a request for payment to the Central Treasurers. We further recommend that the School Principal sign in lieu of the student treasurer when a payment is required after a student treasurer is no longer available due to the close of the school year.

5. INACTIVE CLUBS/ACTIVITIES - DEFICIENCY

Observation

We noted that there were six (6) inactive clubs/activities for the Fiscal 2011-2012 year.

Recommendation

We recommend that the District review these clubs/activities and, if there is no intent to continue the club/activity, the accounts be closed and the balances transferred to the Student Government account.

6. ACTIVITIES NOT CLEARLY IDENTIFIED WITH STUDENT INVOLVEMENT - DEFICIENCY

Observation

We noted that both the High School and Middle School have sales tax accounts. The sales tax account is not clearly identified as a "student club" as defined by the New York State Department of Education's Finance Pamphlet No. 2. The sales tax transactions should be deposited to the Student Government account.

Recommendation

We recommend that sales tax collections be deposited to the Student Government or similar account at each school.