

**SILVER CREEK CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS**

**Communication of Matters Related to Internal Control Over
Financial Reporting and Other Matters
October 12, 2021**

October 12, 2021

To the Board of Education of the
Silver Creek Central School District:

In planning and performing our audit of the financial statements of the Extraclassroom Activity Funds of the Silver Creek Central School District (the District) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 a 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.

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.

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

100 Corporate Parkway
Suite 200
Amherst, New York 14226
p (716) 250-6600
f (716) 250-6605

www.bonadio.com

SILVER CREEK CENTRAL SCHOOL DISTRICT EXTRACLASROOM ACTIVITY FUNDS

COMMUNICATION OF MATTERS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS OCTOBER 12, 2021

INTERNAL CONTROL RELATED MATTERS

We have identified the following as *material weaknesses* in internal controls:

1. RECEIPTS PROCEDURES AND DOCUMENTATION

Observation

Our audit procedures included selecting a sample of 14 cash receipts to test the following attributes; 1) supporting documentation; 2) collection of sales tax, if applicable; and 3) proper recording in the club's general ledger; 4) approved fundraising request form and fundraising financial analysis form, if applicable. During our audit, we noted deficiencies surrounding the controls over cash receipts as follows:

- Five (5) instances in which the deposit receipt was not signed by the student treasurer.
- One (1) instance in which the deposit receipt not signed by the faculty advisor.
- Four (4) instances in which the receipt form was not signed by the faculty advisor.
- Seven (7) instances wherein fundraising request forms were not filled out.
- Nine (9) instances wherein fundraising financial analysis forms were not filled out.
- Six (6) instances wherein the recording of the receipt in the central treasurer's general ledger could not be reconciled to the recording in the club's general ledger.
- Thirteen (13) instances in which support attached to the deposit was not sufficient to support the full amount of the deposit or was lacking detail of individual receipts collected.

Recommendations

Based on the guidance contained within the publication from New York State Education Department, "The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds," we recommend the following as it relates to the collection of cash receipts:

- All cash receipts should be accompanied with supporting documentation and a reconciliation of amounts received such as copies of checks received, a listing of receipted amounts and from whom, and if applicable, a reconciliation of items sold.
- Receipts should be attached to all deposit slips with the appropriate faculty advisor/student treasurer signatures.
- The Faculty Advisor should review all receipt documentation to ensure it is adequate and ensure that sales tax is calculated accurately, if applicable. The Central Treasurer should then review the receipts as well once they are turned in to ensure that all the appropriate documentation is attached.
- Periodically throughout the year, the Central Treasurer should meet with student treasurers and faculty advisors to reconcile club general ledgers to the Central Treasurer's ledger to ensure that balances agree.
- The Central Treasurer should ensure that fundraising request forms are approved before fundraisers begin and that fundraising financial analysis forms are filled out at the end of each fundraiser.

Management Response

Sessions to train new Extraclassroom Activity Advisors and also provide refresher training for returning Advisors will take place during the first three weeks in October. All advisors will be required to complete the training before they will be given their binders. The Advisors will have to sign off that they have completed the training and understand and will comply with all requirements necessary to complete their duties. The Central Treasurer will hold a one-on-one training session with each of the building Principals to ensure they are aware of their responsibilities in regards to overseeing the Extraclassroom Activities in their respective buildings.

The Central Treasurer will continue to recount all deposits brought to the Business Office to verify accuracy of funds being deposited and completion of all necessary paperwork that accompanies the deposit. Any discrepancy in a deposit will be brought to the attention of the appropriate Advisor and the deposit will be returned for correction.

The Central Treasurer will collect binders to review for accuracy on an as needed basis. Clubs with higher levels of activity will have their binders review on a much more frequent basis, monthly if necessary. Clubs with little to no activity can expect to be reviewed quarterly.

The Central Treasurer will make every effort to meet with the Advisor and student treasurer for each club at least once a semester, preferably during a club meeting.

2. DISBURSEMENTS PROCEDURES AND DOCUMENTATION**Observations**

We selected a sample of 21 disbursements to test the following attributes: 1) authorized signature; 2) proper supporting documentation; and 3) recorded properly in the club's general ledger. We noted the following exceptions:

- Eleven (11) instances in which the disbursement could not be reconciled to the general ledger maintained by the club.
- Three (3) instances in which the Payment Order Form was missing the Student Treasurer's signature and one (1) of those instances in which the Faculty Advisor signature was also missing.

Recommendations

As mentioned previously, based on the guidance contained within the publication from the New York State Education Department, "The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds," we recommend that the Central Treasurer meets with student treasurers and faculty advisors periodically throughout the year to reconcile their general ledgers. We also recommend that all signatures are obtained prior to issuing payment on behalf of any club.

Management Response

The Central Treasurer and Business Office will monitor all Payment Order documentation for accuracy and will return any that do not have all proper signatures for correction. Nothing will be forwarded to the CBO for processing and payment without proper authorization.

OTHER MATTERS FOR THE CONSIDERATION OF MANAGEMENT

3. RECORDING EXTRAClassroom ACTIVITY

Observation

Through making our selections of extraclassroom receipts and disbursements for testing, it was noted that there are at least three separate tracking mechanisms used to record extraclassroom activities at the District level. The BOCES' Central Business Office (CBO) maintains two Excel spreadsheets, one for receipts and one for disbursements, listing each transaction and totaling by club. The Central Treasurer at the District maintains a spreadsheet with a summary tab of the year's activity, broken down by club, with monthly tabs detailing the receipts and disbursements by month for each club. Lastly, extraclassroom receipts and disbursements are also entered and processed in WinCap, tracked separately by club in individual OT code funds.

We noted that these three separate records did not consistently or easily reconcile to one another.

Recommendations

We recommend that the District evaluates the purpose of each set of records in order to determine whether each truly needs to be maintained. Eliminating duplicative recording should provide efficiency and reduce the need to reconcile differences between multiple spreadsheets. In addition, as mentioned previously, the District should ensure that each club regularly maintains its own general ledger and reconciles it to the District's ledger on a routine basis. This will serve as a sufficient control, ensuring that club records match District records, and may eliminate the need for three separate sets of records at the District level.

Management Response

The Central Treasurer and Business Office will maintain a spreadsheet of all Extraclassroom Activity and that will be used to reconcile each clubs binders and transactions entered into WinCap. Reconciliations will occur minimally each quarter but potentially more frequently for clubs with a large volume of activity.