

Scarsdale Union Free School District
Independent Accountant's Report On
Applying Agreed-Upon Procedures
June 15, 2020



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

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

We have performed the procedures described in the following pages, which were agreed to by the Scarsdale Union Free School District (District), on cash receipts activities (excluding school lunch and extraclassroom activity fund) and the use of facilities of the District during the period January 1, 2019 through January 31, 2020.

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

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 cash receipts activities (excluding school lunch and extraclassroom activity fund) and the use of facilities. 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
June 15, 2020

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SCARSDALE UNION FREE SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures
For the Period Ended January 31, 2020

Introduction:

This report is categorized by function (i.e., Cash Receipts Activities and Use of Facilities), 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 (CAP), 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 CAP along with the respective Internal Audit Report via the NYSED Portal.

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CASH RECEIPTS ACTIVITIES

Background:

Good business practice requires that the District establish adequate controls over funds collected at all locations throughout the District. An initial record of funds received should be established as soon as possible. Ideally, the District Treasurer should receive all funds in a central location and issue a pre-numbered receipt. However, if funds are collected at several locations, the funds should be turned over to a designated employee at the location or department on a daily basis when possible, but no later than weekly. We were engaged to perform a review of the cash receipts activities (i.e., cash, checks, money orders and MySchoolBucks) at the schools and departments (excluding school lunch and extraclassroom activities).

Commissioner's Regulations §170.2 (h) and (i) require the use of pre-numbered duplicate or triplicate receipt forms, especially when cash is received. One of the receipts should be issued to the payer, another receipt should be issued to the Treasurer and the collector of funds retains the last receipt. This helps to establish accountability over the funds collected.

There are formal procedures and standard documents (e.g., Deposit Form, Field Trip Form, Registration Form, etc.) related to the handling, recording and submission of funds collected at the various locations. The District also has Board policies related to billings, collections and receipts including #6600 –*Fiscal Accounting and Reporting* and #6670 – *Petty Cash/Petty Cash Accounts*. In addition, the District has designated employees with duties related to billings, collections and receipts at the schools and departments where these transactions take place. The majority of receipts at the schools consist of field trips, milk money, music festivals, concert attires, exam fees, preparation courses and fees for lost items (e.g., books, locks, calculators, etc.). The District is expanding the use of the web-based program, MySchoolBucks, to facilitate the handling of payments from parents related to various student activities including food service, exam fees and music festivals. This has reduced the receipts (i.e., cash, checks and money orders) being handled at the schools and departments.

Summary:

We interviewed 11 employees with responsibilities related to collections and receipts at each school building and departments (i.e., Music and Performing Arts; Physical Education, Health and Athletics; and Counseling). The interviews included the review of a sample of transactions at each location with the staff assigned to handle the cash receipts activities and submitting the funds to the Business Office. The District has significantly reduced the amount of actual cash collected at the schools by increasing the number of checks, money orders and by primarily expanding the online transactions as methods of payments collected at the schools and departments.

We also found that there is opportunity for further improvement related to the cash receipts processes as noted in the findings section below. We recommend that the District consider implementing the recommendations noted below to further strengthen internal controls and improve operational efficiencies related to billings, collections and receipts activities.

Procedures:

Our procedures related to cash receipts activities (excluding school lunch and extraclassroom activity fund), as per the engagement letter dated July 1, 2019, were as follows:

- Review Board policies and District procedures related to cash receipts (i.e., cash, checks, money orders and MySchoolBucks) activities at the schools and Business Office.

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- Interview Business Office personnel regarding policies, procedures and systems in effect related to the cash receipts activities.
- Interview employees at each of the 7 school buildings and certain departments regarding policies, procedures and systems in effect related to cash receipts activities that are handled within their school building or department and submitted to the Business Office. Document the internal controls and procedures related to the cash receipts activities that are performed at each building including the accounting and safeguarding of those funds.
- Review receipts activity for the period and randomly select 15 deposits for each secondary school, 10 deposits for each elementary school and 10 deposits for each department to ensure proper documentation, accuracy of totals, appropriate controls over collections (i.e., receipt books) and timeliness of submission to the Business Office when funds are collected at one of the schools.

Findings:

Review of the Board policies and District procedures related to cash receipts (i.e., cash, checks, money orders and MySchoolBucks) at the schools found:

- The District has good business practices related to handling the receipts collected at the schools including the use of sealed bank bags to properly store the funds submitted to the Business Office, a designated employee (i.e., District Courier) who handles the delivery of the receipts from the schools to the Business Office and utilization of a web-based program to handle online payments (i.e., MySchoolBucks) in which the events must be approved prior to adding these events to the program.
- The Business Office has standard procedures to (a) properly safeguard the receipts by maintaining the funds in a safe with restricted access until deposited into the bank, (b) use a check scanning machine to facilitate the deposit of checks, (c) post collections within the SMARTS financial system, (d) provide reports from MySchoolBucks to the respective employees to assist them with collection activities, (e) deposit cash in a timely manner and (f) send emails to the employees listing the receipts that they submitted to the Business Office, which allows those employees to validate the amount of funds and ensure that the deposit was timely.

Interviews with Business Office staff and employees at each school building and certain departments regarding internal controls and procedures related to cash receipts activities that are performed noted:

- The District has been active with increasing the use of the online program, MySchoolBucks, and we understand that the District plans to continue expanding the use of this web-based program to further enhance the efficiencies related to cash receipts activities. This could include collections related to field trips, milk money and fees for lost item (e.g., books, locks, calculators, etc.).
- There is an opportunity for improvement related to the retention of documentation to support the cash receipts activities. We found that some employees have been retaining records, for example the documentation related to field trips, and others discard the records. We note that the protocols at some schools requires the teachers to submit the permission slips related to field trips at the end of each school year. However, this does not include other field trip related documentation including the student lists, payment requests (i.e., vendors), refund requests (i.e., students) and worksheets to support the amount collected from each student.
- The elementary schools receive financial assistance from their respective Parent Teacher Association related to field trips. However, we found that the handling of these financial activities is not consistent and standard at the elementary schools. There is only one school where the PTA has a threshold for the amount of funds provided for each grade, but the other schools have no such threshold. Also, some

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schools collect checks from the PTA and process the vendor payments through the District office, while other schools do not receive funds from the PTA as those PTAs provide payments to the vendors directly.

- The web-based program MySchoolBucks can provide detailed reports based on each activity; however, some of the employees who manage events are unable to access such reports to manage their collection activities and need to request this data from the Technology Department or Business Office.
- The schools are required to use a triplicate receipt book when cash is received by the employee. However, we found that there were instances where teachers have not supported a cash collection with a triplicate receipt and there were 2 schools that were not using a triplicate receipt book.

Review of the receipts activity for the period and the randomly selected 15 deposits for each secondary school, 10 deposits for each elementary school and 10 deposits for each department found:

- The amount of receipts noted on the standard deposit forms agreed to the amount deposited with the bank with no exceptions. We also found that this deposit information agreed to the email sent by the Business Office to the employees for verification of the receipts.
- The receipts submitted from the schools were deposited in a timely manner by the Business Office.
- There is a lack of documentation supporting most of the receipts that are submitted to the Business Office as noted above. The employees collecting the funds, mainly teachers for field trips, are accountable for maintaining the appropriate records (e.g., student lists). Therefore, we were unable to ascertain if the amount of these receipts were complete due to the lack of such supporting documentation.
- The Business Office sends an email to the employees, who submitted receipts for deposit, to inform them that the funds have been received, deposited and posted to the SMARTS system. The email includes the amount of the receipts and the date of the deposit, but the email does not contain the budget account codes that would provide the employees with additional information that could be verified.
- There are times when the employees at the schools hold the funds for extended periods of time before submitting the receipts to the school's Main Office. This includes teachers holding checks related to field trips for up to 3 or 4 months before submitting the receipts prior to the event.
- The Athletics Department's receipts and disbursements included a significant amount of funds involved in some of the events. This involved sizable reimbursements to coaches related to airfare and hotel charges that did not follow the District's practice of handling these expenditures related to the trips through the Business Office to obtain the benefits realized through the Purchasing Department. In addition, there is a risk that an event may be potentially cancelled after a coach has paid for airline tickets and/or hotel charges resulting in challenges with refunds.

Recommendations:

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to receipts at the schools and departments:

1. Strengthen controls related to receipts at the schools, particularly cash, since the collection of funds has a high level of inherent risk, that includes developing procedures to:
 - a) Ensure that the employees (mainly teachers who collect funds for field trips) maintain the appropriate records to support the amount of funds and assign staff the responsibility to review the documentation (which could be done on a sample basis).
 - b) Properly retain the records obtained by employees, mainly teachers, involved with collections for field trips, drama events, etc. We recommend that all of these key records (student lists, pricing worksheets, payment documents, parent approval forms, etc.) be retained by the employees,

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organized by event and submitted to the main office of the respective school building at the end of the school year. We suggest that the District determine the specific records to be retained and the retention period (e.g., one subsequent school year).

- c) Ensure that all schools are maintaining and using a pre-numbered receipt book to track all cash that is collected and submitted to the Business Office.
 - d) Require the employees to submit the receipts to the school's Main Office in a timely manner, rather than holding the funds for an extended period of time before submitting the receipts.
2. Expand the information in the emails sent by the Business Office to the employees, who submitted receipts for deposit, to include the budget account codes that the deposit was posted into the SMARTS system. This would allow the employees to verify this information as well as the amount of the receipts and the date of the deposit for timeliness.
 3. Consider the feasibility of developing consistent and standard practices related to the financial activities involving the PTA at the elementary schools. This would include establishing the same procedures for handling any receipts when applicable and processing vendor payments (i.e., District or PTA).
 4. Investigate setting up the web-based program MySchoolBucks to allow detailed reports of each event to be generated by appropriate employees, so they could efficiently manage their collection activities.
 5. Assess the handling of athletics receipts and disbursements when there is a significant amount of funds involved in the event. This should include the sizable reimbursements to coaches related to airfare and hotel charges, since the District's practice is to handle the expenditures related to field trips through the Business Office to obtain the benefits realized through the Purchasing Department. In addition, there is a risk that an event may be potentially cancelled after a coach has paid for airline tickets and/or hotel charges resulting in challenges with refunds.

USE OF FACILITIES

Background:

The District allows various organizations to use the District's facilities (e.g., fields, gymnasiums, auditoriums, classrooms, etc.), throughout the year based on availability. As part of the facilities usage process, the organizations must submit a completed Application for Use of Facilities form along with the proper insurance certificate to be able to use the District's fields, gymnasiums, auditoriums or other spaces within the school buildings. The majority of organizations that use the facilities throughout the District are community based not-for-profit groups. The District also has some for profit organizations that submit applications for facility usage.

As stated within *Board Policy #1500 – Public Use of School Facilities*, all uses of school buildings and grounds by non-school groups shall be consistent with section 414 of the Education Law, and shall ordinarily fulfill the following conditions: (1) more than 50% of the membership of such group(s) should consist of District residents and (2) the group generally serves other needs of children and/or promotes the welfare of the school and/or community. The District's facilities usage *Rental Agreement* states that the groups will be charged rental fees and for necessary custodial services if a custodian is not otherwise assigned to the building during the usage period.

All organizations requesting the use of facilities must submit to the District, a Certificate of Insurance that shall be furnished by the applicant prior to use of the facilities. The certificate must indicate that the District is the certificate holder and an unrestricted additional insured. The policy naming the District as additional insured must be from an A.M. best rated "secured" New York State licensed insurer, must also contain a 30 day notice of cancellation, and state that the organization's coverage shall be primary and non-contributory for the District,

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its Board, and employees and volunteers. The additional insured status shall be provided using ISO endorsement CG20 26 or its equivalent. Failure to supply these items results in denying the application of use. We were engaged to review the District's procedures related to facilities usage by non-school organizations that includes the required liability insurance coverage and charges for rental fees, if the group needs to be billed.

Summary:

We noted that the District has good overall policies and procedures regarding the use of facilities. Individuals that were interviewed regarding the approval and scheduling procedures performed by the District showed thorough knowledge in the procedures and policies in place. We found that there is an opportunity for further improvement as noted in the findings and recommendations section below.

Procedures:

Our procedures related to the use of facilities, as per the engagement letter dated July 1, 2019, were as follows:

- Review the Board policies and District's procedures related to the use of facilities to ensure the compliance, completeness, accuracy and timeliness related to obtaining the required paperwork including insurance coverage and billings to the third party, if applicable.
- Interviews with personnel who have responsibilities related to the use of facilities regarding policies, procedures and systems in effect and document the strengths, weaknesses and key control attributes for testing.
- Select a sample of events at each secondary school and events at each elementary school related to facilities usage to ensure that the proper paperwork is on file including the completed application and insurance records. Determine if the third party should have been charged for the use of facilities and if so, ensure that the District collected the appropriate fees from the third party prior to the event.

Findings:

Review of the Board policies and District's procedures related to the use of facilities noted:

- The District has *Board Policy #1500 – Public Use of School Facilities, Application for Facilities Rental, Rental Agreement* and *Facilities Rental Fees* schedule to facilitate the handling of facilities usage activities. As noted in the background section above, these documents appropriately cover pertinent components including the responsibilities of the users, submission of required liability insurance, determining which groups shall be charged fees and the rental fees based on a detailed schedule.
- The District uses the Facilities Direct module of a web-based program called SchoolDude to manage the use of facilities events. This online program is a robust software package that allows the District to track all events, which includes school-based activities of the various departments (e.g., Music and Performing Arts; Physical Education, Health and Athletics; etc.) and non-school groups, by location, date and time. In addition, the program is set up with an electronic routing approval process that requires the events to be approved by administrators after being created in the program by an authorized requestor.

Interviews with personnel who have responsibilities related to the use of facilities found:

- The Facilities Department oversees these activities with the Facilities Department Clerk (Clerk) assigned to the role of system administrator of this program. The Clerk is responsible for entering the event data into the program and other duties include ensuring the groups properly complete the *Application for Facilities Rental*, provide the required liability insurance documentation, charging the proper fees as per the *Facilities Rental Fees* schedule, when applicable, and collecting any fees from the groups.

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- The majority of facilities usage by a non-school group is the local Scarsdale Recreation Department. Since this group uses the District's fields and gymnasiums for numerous activities and many events for each type of program (e.g., basketball, softball, etc.), there is an assigned requestor at that organization with access to enter proposed requests for the use of facilities in the SchoolDude program. This helps reduce the number of events that need to be entered by the Clerk.
- The procedures related to invoicing and collections for facilities usage require improvement, since these activities are handled by the Clerk without someone independent ensuring that all use of facilities are properly billed and the funds subsequently received by the Business Office, based on feedback from the District Treasurer. We understand that the Business Office has established procedures where someone independent of the Clerk has been assigned the duty of performing a periodic review and approval of the use of facilities activities posted in the SchoolDude program and any related schedules to ensure accuracy and completeness of these transactions as suggested by the client.
- The review of the *Facilities Rental Fees* schedule was last completed around 2013. However, some of the costs associated with the use of facilities most likely increased since the last time these fees were reviewed and/or adjusted.
- There are inconsistencies regarding the approval process of the use of facilities events at the schools, since there are some instances where the school principal is the approver and other instances where the requestor is also the approver. We have been informed that each building principal makes the determination about such approval process.

Review of the selected sample of events at each secondary school and events at each elementary school related to the use of facilities noted:

- The testing of facilities usage related to the local Scarsdale Recreation Department found:
 - There is a standard *Deposit Form* that is used when employees submit receipts to the Business Office for deposit into the bank and to record the transaction in the SMARTS financial system. However, this Deposit Form is not being used by the Clerk to accompany the receipts sent to the Business Office.
 - The standard practice followed by the Business Office is to send a confirmation email to the employee who submitted the deposit to verify that the receipts were received. However, we found that this email was not provided in two instances related to the Scarsdale Recreation Department. We have been informed that the Business Office has developed procedures to ensure compliance with this standard practice to always send a confirmation email.
 - The District billed the group for facilities usage at the Edgewood Elementary school on April 11, 2019 for \$6,642, which was after the events running from December 9, 2018 through March 17, 2019 were completed. However, the billings were supposed to occur monthly as per the agreement.
 - The *Facilities Rental Fees* schedule includes standard rates to be charged to non-school groups for the use of gymnasiums at any time, but we found that the Scarsdale Recreation Department was only billed for usage during Sundays.

Recommendations:

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to the use of facilities:

1. Review the *Facilities Rental Fees* schedule to determine if the District should revise any of the fees or charges, since some of the costs associated with the use of facilities most likely increased from the 2013 year, which we understand was the last time this fee schedule was updated.

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2. Consider establishing consistent practices regarding the approval process of the use of facilities events at the schools that requires the respective school principal to be the approver of such events, thus eliminating the scenarios where the requestor is also the approver at some school buildings.
3. Develop procedures to require the Clerk to prepare and submit the standard Deposit Form along with the receipts to the Business Office for deposit into the bank and to record the transaction in the SMARTS financial system. This would establish consistency and standardization regarding this process, since other employees are required to use the Deposit Form to accompany the submission of their receipts.
4. Consider billing the Scarsdale Recreation Department for all usage of the gymnasiums in accordance with the *Facilities Rental Fees* schedule or establishing a Board-approved formal billing arrangement with the Scarsdale Recreation Department that includes whether or not to charge for the use of the gymnasiums during the week.

