

**LAFAYETTE CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS**

**Communication of Matters Related to Internal Control Over
Financial Reporting and Other Matters
September 27, 2019**

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To the Board of Education of the
LaFayette Central School District:

In planning and performing our audit of the financial statements of the Extraclassroom Activity Funds of the LaFayette Central School District (the District) as of and for the year ended June 30, 2019, 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 auditing 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 on the following page, we identified certain deficiencies in internal control that we consider to 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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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.

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**LAFAYETTE CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS**

**COMMUNICATION OF MATTERS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING AND
OTHER MATTERS
FOR THE YEAR ENDED JUNE 30, 2019**

INTERNAL CONTROL RELATED MATTERS

We have identified the following as *significant deficiencies* in internal controls.

1. RECEIPTS PROCEDURES AND DOCUMENTATION

Observation

We reviewed the cash receipt procedures and documentation of the clubs. Our audit procedures included selecting a sample of 22 cash receipts to review. During our review, we noted deficiencies surrounding the controls over cash receipts as follows:

- In seven (7) instances it was noted that sales tax was not collected on items when it appears based on the type of sale that sales tax should have been collected and remitted to the State. Additionally, a resale certificate is not utilized when purchasing goods to be resold where sales tax is required to be collected.
- In eleven (11) instances the deposits were not made on a timely basis.
- In six (6) instances there were no signatures present authorizing the amounts to be deposited.
- In nine (9) instances, the support for the cash receipts selected did not contain adequate documentation to support the amount received.

Recommendation

We recommend that all receipts contain a description of what the receipt was for, have adequate support for the receipt, proper sign-offs are done and that deposits are made on a timely basis. We also recommend that the District review the policy for "The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds" and collect and remit sales tax on the appropriate items. We also recommend that sales tax owed by each club be taken out of the bank account on a monthly basis and segregated into a sales tax account until the tax filing is submitted. This will ensure a club is not closed out prior to the tax being segregated. In addition, the district should utilize a resale certificate to ensure sales tax is not being paid both at the time of purchase and at the time of remitting collections to the state.

INTERNAL CONTROL RELATED MATTERS (CONTINUED)

2. DISBURSEMENTS PROCEDURES AND DOCUMENTATION

Observation

We reviewed the cash disbursement procedures and documentation of the clubs to test the following attributes: 1) authorized signature, 2) proper supporting documentation, and 3) recorded correctly in the general ledger. We selected a sample of 22 disbursements and had the following exceptions:

- In five (5) instances the withdrawal form did not include all required signatures.
- In two (2) instances there was no documentation to support the reason for the cash disbursement, therefore it could not be determined if it was an appropriate disbursement.
- In one (1) instance the check being written was reviewed, signed, and written to the extraclassroom treasurer, preventing proper segregation of duties.

Recommendation

We recommend that all disbursements be supported by adequate documentation such as vendor invoices as proof of the expenditure and all disbursements be properly authorized in accordance with District policy. Additionally, we recommend that reimbursements to the extraclassroom treasurer be reviewed and approved by a separate individual.

3. CENTRAL TREASURER OVERSIGHT

Observation

During the course of the audit we noted that each Extraclassroom Treasurer is responsible for maintaining the records, preparing monthly bank reconciliations and ensuring that proper procedures are being followed within their respective Funds, however, there is no oversight of the Central Treasurer for any of these functions.

Recommendation

We recommend the District consider establishing the role of the Central Treasurer to include oversight over the extraclassroom funds.

OTHER MATTERS FOR CONSIDERATION OF MANAGEMENT

1. CONCESSION STAND SALES

Observation

During our inquiries we noted that there does not appear to be an 'inventory' system in place for concession stand sales to keep track of the number of items purchased and on hand versus the number of items sold to aid in determining if the amount of concession stand revenue received is in line with the amount of product sold.

Recommendation

We recommend the District evaluate implementing some type of inventory system to track the amount of items purchased and sold to be able to determine if the amount of money received from the sales are appropriate.

OTHER MATTERS FOR CONSIDERATION OF MANAGEMENT (CONTINUED)

2. TICKET SALES

Observation

During our inquiries we noted that there does not appear to be a good system in place for ticket sales to keep track of the number of tickets sold in advance or at the event.

Recommendation

We recommend the District evaluate implementing some type of controls where two people collect the money and count the money for ticket sales that reconciles back to the number of tickets sold. Pre-numbered tickets should be used.

3. EXTRACLASROOM FORMS AND SCHEDULES

Observation

During our review of policies and procedures it appears that the High School, Elementary and Onondaga Nation Schools all utilize different forms for cash receipts and disbursements and require various forms of support for those transactions. In addition, the excel schedules used to record the receipts and disbursements lack some of the necessary information.

Recommendation

We recommend the District evaluate implementing some type of standardized forms for use throughout the District so consistent methods and practices are being used amongst all the schools. We recommend that the excel cash receipts schedules used to record the daily activity contain the following: deposit date, amount of deposit, description of the deposit and then be allocated to the appropriate club. We also recommend that the excel disbursement schedules used to record the daily activity contain the following: check date, check number, vendor, amount, description and then be allocated to the appropriate club. Sample forms that can be found in the 2019 New York State, "The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds" booklet.

4. CLUB MANAGEMENT

Observation

In accordance with the New York State Regulation on the Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds, clubs shall not be established for students below the sixth grade.

Recommendation

We recommend that the District review the active club listing to ensure that its membership comply with NYS Regulations surrounding Extraclassroom Activity Funds.