

Board Meeting of:	December 20, 2017
Division:	Finance Division
Type of Item:	Other
Title of Agenda Item:	2018 Extraclassroom Activities Corrective Action Plan
Prepared by:	Geoffrey Pritchard, CFO

BOARD of EDUCATION
APPROVED

DEC 20 2017
[Signature]
BOARD OFFICE

Background Information, Description of the Need:

On October 18, 2017, the Board approved the fiscal year ending June 30, 2017 audited financial statements issued by its external auditor, Freed Maxick. As part of that audit, Freed Maxick issued a Management Letter that included the following observation, recommendation and management response:

Observation

During our audit, we noted the following matters to be brought to the Board's attention:

- *Adequate documentation is not provided supporting cash collections. This resulted in a qualification of our audit opinion.*
- *It was noted that bank reconciliations are being prepared incorrectly, and in certain instances, not at all.*
- *There were instances where fundraising activities were not approved by the School Principal.*
- *There were instances where budgets and profit/loss statements were not prepared for fundraising events.*
- *There were certain student ledgers that could not be located for the audit, or are not being maintained by students independent of the Central Treasurer's ledger.*
- *There were three clubs that were not run by students, but rather by the Central Treasurer and Principal.*
- *There were instances where all required signatures were not present on payment orders.*

Recommendation

We recommend that the Board continue in its efforts to improve internal controls related to extraclassroom activity funds.

Management Response

Since the prior year, where it was noted that the two Audit department staff involved in the process left District employment, those two positions have been filled. An additional Audit department staff person has been has begun to perform field audits at the schools as well, and a more thorough training program has been developed. A new audit report template was developed and will be prepared after each site visit, documenting the results including any best practices or corrective actions necessary as a result of the audit. During the 2017/18 fiscal year, all petty cash transactions, which were previously paid at the school level, will now paid through City Hall. These and other actions will be expounded more fully in a forthcoming corrective action plan (CAP) issued within 90 days of this management letter.

Recommendation:

District management requests formal Board approval of the attached 2018 Extraclassroom Activities Corrective Action Plan, as required by NYS Regulation 170.12 – School District Financial Accountability



BUFFALO PUBLIC SCHOOLS

Finance Department

City Hall, Room #708
Buffalo, New York 14202
Phone (716) 816-3676

December 13, 2017

Buffalo Board of Education
801 City Hall
Buffalo, New York 14202

RE: Corrective Action Plan for Extraclassroom Activities

On October 18, 2017, the Board of Education approved the fiscal year ending June 30, 2017 Audited Financial Statements issued by its external auditor, Freed Maxick. As part of their audit, Freed Maxick issued a Management Letter that included the following observation, recommendation and initial management response:

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paid at the school level, will now paid through City Hall. These and other actions will be expounded more fully in a forthcoming corrective action plan (CAP) issued within 90 days of this management letter.

To comply with the requirement that a CAP is issued within 90 days of the Management Letter, the District proposes the following actions to address the findings as of December 13, 2017:

1. Corrective Action 1 – Procure an updated Extraclassroom activities software system

- a. Procurement of a software system designed to be used for extraclassroom is management’s first recommendation. The District has attempted to update the existing, in-house designed system, but that has proven costly and time consuming, taking time away from other District IT priorities. The current software also requires a significant amount of audit department time in the schools to address its limitations. A software package that has call-in support, helps facilitate bank reconciliations and other compliance requirements noted in the finding, along with having the ability to remotely pull data will allow the audit department to spend more time auditing transactions. The software package will also assist in compliance with applicable State and Federal regulations.
- b. Anticipated Cost - \$30,000 in year 1; \$28,000 in subsequent years, with 2017/18 costs expected to be paid for by the existing 2017/18 Finance Department Budget.
- c. Responsible person – David Pratt, Auditor
- d. Timing –
 - i. Acquisition of software – January 2018
 - ii. Complete implementation and training – August 2018
 - iii. System go live date – September 2018

2. Corrective Action 2 – Update policies and regulations related to extraclassroom activities

- a. Each of the policies and regulations listed below impact, at least partly, the operations of extraclassroom activities in schools. Recent review of these policies noted that some have not been updated in some time and that others may be inconsistent with best practices. The policies listed below will all be updated to be in compliance with the most current version of NYS Finance Pamphlet 2, which is the State’s guidebook on extraclassroom activities. This guide, in conjunction with the software, addresses the individual audit findings in Freed Maxick Management Letter.

The District’s internal Auditor, Drescher & Malecki has been asked to examine the existing design of extraclassroom activity processes, and their report will also be incorporated into the policies and regulations.

- b. List of policies and regulations:
 - Policy 5220 – Vending Machines
 - Policy 5520 – Extraclassroom Activities Fund
 - Policy 5530 – Petty Cash Funds and Cash in School Buildings
 - Regulation 5520R – The Safeguarding, Accounting and Auditing of Extraclassroom Activities
 - Regulation 5520R.1 - The Safeguarding, Accounting and Auditing of Funds Other than Extraclassroom Activities
 - Regulation 5530R.1 – Rules and Procedures for the Operation of Principal’s and Teachers’ Supply Funds (Petty Cash)
 - Form 5530F.1 – Receipt for Principal’s and Teachers’ Supply Fund Reimbursement
- c. Responsible person – Juliette Carbone, Controller
- d. Timing – Updates completed by December 2018

3. Corrective Action 3 – Ensure activities in the extraclassroom system belong

- a. A detailed review of all extraclassroom activities will be completed in conjunction with the implementation of the software system. As a result of this review, activities that do not belong in extraclassroom activities may be eliminated, moved to other accounting systems, or in the case of activities with few or no transactions, eliminated or consolidated. A reduction in the number of activities is expected to yield a great allocation of time on those activities that are run for the benefit of students and include student involvement.

As of September 2017, teacher and principal petty cash check disbursements have been removed from the extraclassroom activities system. Historically, these transactions had been accounted for and reimbursed exclusively at the schools, with receipts submitted to the Audit Department only at year end, well after the transactions were completed. Now, all teacher and principal petty cash transactions are submitted to the Audit Department and approved by the Audit department prior to payment, while reimbursements are paid through the biweekly payroll check run.

- b. Responsible person – David Pratt, Auditor
- c. Timing – Petty Cash – Implemented September 2017; All others - September 2018

4. Corrective Action 4 – Establish a formalized training system

- a. Initially, in conjunction with the software system implementation, all users are expected to be trained over the summer of 2018 to be ready for the implementation of the software in September 2018. This training will then lead to a standardized training program that will be used going forward, incorporating the software system and policy and procedure updates.

“Putting children and families first to ensure high academic achievement for all.”

The Audit department proposes setting up a monthly training session that will be available for any new Clerks or Principals to attend to be trained, to get a refresher on policy and procedure and to bring any related matters they may have.

The Audit department proposes that training be mandated for all new Clerks and Principals as part of their initial District provided training. The Audit department will work with the Clerk's and Principal's respective leadership on to assist in train the trainer and training where necessary.

The Audit department will work with a committee of Principals to discuss any implementation matters and in disseminating updates and changes that need to be shared.

b. Responsible person – David Pratt, Auditor

c. Timing – December 2018

5. Corrective Action 5 – Improve accountability

a. The Audit department will formalize auditing procedures and internal/external reporting, and this will include regular updates to the Chief Financial Officer and the Associates of School Leadership so they are made aware of any reportable matters or new best practices, timely.

The Audit department will prepare an annual audit and reporting calendar that will be used to ensure that adequate resources are scheduled.

As the ultimate responsibility for the operation of extraclassroom activities rests with the Principal in each school, the Audit department will work with the Chief of Staff to develop a reporting system that will allow data to be reported on individual principal scorecards.

b. Responsible person – Juliette Carbone, Controller

c. Timing – June 2018

Sincerely,



Geoffrey F Pritchard
Chief Financial Officer