

December 2, 2020

To the President and Members of
The Board of Education of the
Waterford-Halfmoon Union Free School District

Dear Board Members:

In planning and performing our audit of the financial statement of Waterford-Halfmoon Union Free School District's Extraclassroom Activity Fund (the Fund), as of and for the year ended June 30, 2020, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, during our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated December 2, 2020 on the financial statement of Waterford-Halfmoon Union Free School District's Extraclassroom Activity Fund. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control and other operational efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

1. GENERAL

Finding

During our audit procedures, we noted that there were 2 out of 16 instances tested for receipts and 5 out of 24 instances tested for disbursements where student ledgers did not have the transaction listed in the ledger.

Recommendation

We recommend that Faculty Advisors and Student Activity Treasurers understand the requirement to prepare and keep ledgers separate from the Central Treasurer to ensure accuracy and minimize errors that could occur, and also to have a better record of their activities.

Finding

Through our audit procedures we noted that no budgetary estimates of necessary receipts and disbursements of each club were made and documented.

Recommendation

Per the NYSED guidance, each club should annually budget receipts and disbursements and a copy filed with each the chief faculty advisor, central treasurer, faculty advisor, and student activity treasurer.

2. CASH RECEIPTS

Finding

The Extraclassroom Activity Clubs receive funds from a variety of sources, including donations, ticket sales, field trips, event admissions and product sales. However, controls over these receipts are limited.

Recommendation

The District should consider issuing pre-numbered receipts to all clubs with directions as to when a receipt should be issued, i.e. anytime an individual collects money from another individual. Periodically, the pre-numbered receipt books should be collected and reconciled to the cash receipts recorded.

The District should require all fundraising activity to be supported by a ticket reconciliation for events for which admission is charged. Any fundraisers involving the sale of inventory should be supported by an inventory reconciliation form which should be attached to the cash receipt.

To provide a system of checks and balances, all clubs should be required to prepare a statement of profit and loss for each fundraising event held. This will institute a sense of accountability as each event will be reviewed for effectiveness and efficiency.

3. CASH DISBURSEMENTS

Finding

During our audit, we noted one instance in which supporting documentation to corroborate the disbursement request, such as an invoice or receipt, was not provided.

Recommendation

We recommend that emphasis be placed on the importance of having documented physical evidence of an expenditure on behalf of the club. Additionally, the Central Treasurer should strictly enforce this guideline by probing for receipts or invoices if they are not initially provided. In the event receipts, invoices, or other evidence is impractical or impossible to produce, documentation should be prepared detailing the circumstances and signed by the Central Treasurer, authorized check signer, Student Treasurer, and Faculty Advisor.

4. SEGREGATION OF DUTIES

Finding

During our procedures, we noted that the authority to spend funds, and the custody of the funds lies with the same individual. There is a reconciliation of ledger balances twice a year between the Club and the Central Treasurer, however the Central Treasurer's involvement is not sufficient as a compensating control.

Recommendation

We recommend that the individual responsible for maintaining the funds (the Central Treasurer) have no authority to approve the use of funds.

5. INACTIVE CLUB LISTING

Finding

Our audit procedures identified that Global Travel Club has been inactive for more than two years and still carries a cash balance.

Recommendation

To comply with NYSED guidance, we recommend that the Fund develop a policy in which funds from graduating classes and inactive clubs are transferred to other club accounts. In doing so, the Fund can help reduce the risk that these funds might be misappropriated.

6. TIMELINESS OF DEPOSITS

Finding

During our procedures, we noted that 10 out of the 16 cash receipts tested were not deposited in the bank within the reasonable amount of time. NYSED guidance indicates 5 days as a reasonable amount of time.

Recommendation

Deposits should be made timely, as soon as administratively possible to ensure clubs have the funds needed available to them and reduce the risk of misappropriation.

We would like to thank the management and staff of Waterford-Halfmoon Union Free School District for their cooperation during the course of the audit. There are many favorable areas within the District upon which we have not made comment. Please understand that the nature of this letter is to recommend improvements.

This communication is intended solely for the information and use of the management, audit committee and Board of Education of Waterford-Halfmoon Union Free School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Marvin and Company, P.C.