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Date: February 9, 2024

To: Audit Committee
Carmel Central School District

From: Nugent & Haeussler, P.C.

Re: Internal Audit Services – Extraclassroom Activity Funds

In accordance with the Annual Risk Based Internal Audit Plan, we have conducted our internal audit services with respect to the Extraclassroom Activity Funds of the Carmel Central School District.

CONCLUSION

The grading standards are Satisfactory, Acceptable and Unsatisfactory.

Satisfactory - Compliance with the Organization's established policies and procedures. Internal audit results indicate none or insignificant recommendations.

Acceptable – Minimal instances of non-compliance with the Organization's established policies and procedures. Internal audit procedures resulted in recommendations for improvements in internal controls, policies and/or procedures.

Unsatisfactory – Non-compliance with the Organization's established policies and procedures. Internal audit results indicate significant deficiencies relating to internal controls, policies and/or procedures.

The controls over the Extraclassroom activity funds are rated **Unsatisfactory**.

District management is to submit a response to this report to the Audit Committee with copies to interested management and the auditor by April 30, 2024.

OBJECTIVE/SCOPE

The purpose of the internal audit services is to assist the Audit Committee in making a determination with respect to:

- Whether adequate policies, practices, internal controls and procedures exist regarding Extraclassroom Activity Funds for the High School and Middle School.
- Evaluating the effectiveness of the Extraclassroom Activity Funds controls and procedures with regards to district policies and procedures.
- Evaluating compliance with applicable laws and regulations.

The internal audit covered transactions from July 1, 2023 through December 31, 2023. The internal audit services were conducted on January 23rd and 24th, 2024.

PROCEDURES, FINDINGS & RECOMMENDATIONS

Policy Review

During our review of district policies related to Extraclassroom Activity Funds it was noted that several of the policies have not been reviewed or updated for many years.

We recommend that all of the district's Extraclassroom Activity Funds related policies be reviewed on an annual basis and updated where necessary.

Middle School

Club Records

We found that there were clubs that did not keep their own accounting records to compare to the Extraclassroom Activity Treasurer's books and records.

We recommend that each club should designate a student officer to keep their own books and records and regularly reconcile them to the Extraclassroom Activity Treasurer's books and records.

Sales Tax

During our review of the cash disbursements, we found instances when a club purchased items for resale and did not provide the vendor with the Resale Certificate and therefore, paid sales tax on the purchase of items intended for resale.

We recommend all advisors use the Resale Certificate to make purchases and charge the appropriate sales tax for items that are considered taxable sales under New York State law.

Cash Disbursements

During our review of cash disbursements, we found a debit card was being used for certain payments.

We recommend that a form be used to document what is being purchased and who is authorizing the request for payment prior to the usage of the debit card. We also recommend that the same procedures being followed for a check request be followed when using the debit card.

Profit and Loss Statements

During our review of fundraising activities, we found that there were receipts for fundraising activities that did not have a profit and lost statement attached.

We recommend profit and lost statements are prepared and attached to all cash receipts for fundraising activities.

Bank Reconciliations

During our review of the records of the Middle School, we found that bank reconciliations had not yet been prepared for the 23-24 school year.

We recommend that bank reconciliations be performed on a timely basis for each month during the school year.

Student Officers

During our review of the listing of student officers for each club, we found that there is not a list of student officers kept by the Central Treasurer to compare to the form approvals.

We recommend the Central Treasurer keep a summary sheet of all student officers with their names, titles, and signatures to cross reference to approvals on various forms.

High School

Inactive Clubs

During our review of the Extraclassroom Activity Funds summary schedule, we found there to be clubs listed that did not have activity during the year ended June 30, 2023 or during the current fiscal year.

We recommend the district review these clubs to determine if they should be considered inactive clubs.

Cash Receipts

During our review of cash receipts, we found instances in which the Student Officer signature was not available for approval of the club deposit receipt form.

We recommend that a Student Officer sign off on all club deposit receipt forms.

During our review of cash receipts, we found instances in which funds were held for long periods of time before they were deposited into the bank.

We recommend that all funds received by each club be remitted to the Central Treasurer and deposited into the bank on a timely basis. The recommended time is within 72 hours of receiving the funds.

Profit and Loss Statements

During our review of fundraising activities to ensure profit and loss statements are being filled out for each individual fundraiser, we found that there were receipts for fundraising activities that did not have a profit and lost statement attached.

We recommend profit and lost statement is prepared and attached to all cash receipts for fundraising activities.

Cash Disbursements

During our review of cash disbursements, we found that there was a reimbursement claim put in by a club advisor from a prior year during the current year.

We recommend that all reimbursement claims be submitted in a timely manner and all for the current year before the fiscal year end.

Bank Reconciliations

During our review of the bank reconciliations, we found there to be old outstanding checks listed.

We recommend that the outstanding check list be reviewed for old and stale checks and each individual check be reviewed and followed up on.

Pursuant to Commissioner's Regulation §170.12(e)(4)(i), we do not consider this recommendation and/or suggestion to be a finding or require a corrective action plan.

Student Officers

During our review of the listing of student officers for each club, we found that there is not a list of student officers kept by the Central Treasurer to compare to the form approvals.

We recommend the Central Treasurer keep a summary sheet of all student officers with their names, titles, and signatures to cross reference to approvals on various forms.

Other

In addition to the items listed above in the Procedures, Findings & Recommendations area of this letter, we performed other procedures with respect to Extraclassroom Activity Funds and have no further recommendations.

We also reviewed various forms of the Extraclassroom Activity Funds including monthly and quarterly reports for accuracy, and to ensure they are in compliance with standards set forth by the New York State Education Department in "The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds."

We made inquiries of the Business Office Treasurer, the Extraclassroom Activity Fund Treasurer at the High School and Middle School to get an understanding of the controls at all levels.

We made inquiries of Club Advisors at the High School and Middle School to get an understanding of the controls at the advisor level.

We also reviewed the stipends paid to the faculty advisors for all clubs to ensure the proper amounts have been recorded and the stipends went through the proper approval process.

We also reviewed the bank reconciliations for the High School performed and the preparation and review process that is followed for bank reconciliations.

We also reviewed the process for the establishment and approval of a new club in the Extraclassroom Activity Funds at the district.

This report is intended solely for the information and use of the Audit Committee, the Board of Education and Management of the Carmel Central School District. It is not intended to be, and should not be used by anyone other than these specified parties.

Respectively Submitted,



NUGENT & HAEUSSLER, P.C.