



Brighter Choice Charter School for Girls

Non-Payroll Disbursements

2023M-72 | September 2023

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Report Highlights

Brighter Choice Charter School for Girls

Audit Objective

Determine whether Brighter Choice Charter School for Girls (School) Board of Trustees (Board) and officials ensured non-payroll disbursements (disbursements) were adequately supported, properly approved, accounted for, and for a School-related purpose.

Key Findings

The Board and officials did not provide adequate oversight to ensure disbursements were adequately supported, properly approved, accounted for and for a School-related purpose. Without adequate oversight, the Board and officials cannot ensure that all disbursements were made as authorized or for an appropriate School purpose.

The Board and officials did not implement adequate disbursement procedures. Specifically:

- The Director did not prepare and provide the Principal with an abstract of invoices or a list of checks to document the review and approval.
- The Principal or other designated official did not review cancelled check images to ensure only approved disbursements were made.
- The Board did not require a detailed monthly disbursement report.

Despite a lack of disbursement review and approvals, the 70 disbursements totaling \$798,770 that we reviewed were adequately supported, accounted for and for a School purpose.

Key Recommendations

- Prepare an abstract of invoices and checks to be signed by the Principal.
- Review cancelled check images to ensure only authorized disbursements are made.
- Provide abstracts and bank statements to the Board monthly.

School officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The School is located in the City of Albany in Albany County and is governed by an elected seven-member Board that is responsible for the general management and control of the School's financial and educational affairs.

The Principal is the School's chief executive officer and is responsible, along with other administrative staff, for the School's day-to-day management including the review and approval of disbursements and signing checks.

The Director of Operations (Director) is the chief financial officer and is responsible for maintaining financial records, entering invoices for payment, and preparing and printing checks.

The Board, Principal and Director are responsible for establishing and implementing disbursement procedures to ensure that disbursements are made as authorized.

Quick Facts

Enrollment	291
Grades	K-5
2022-23 Budget	\$5.3 million
Total Non-payroll Disbursements in our audit period	\$4.3 million

Audit Period

July 1, 2021 – January 31, 2023

Cash Disbursements

How Should School Officials Ensure Disbursements Are Adequately Supported, Properly Approved, Accounted For, and for a School Purpose?

A board and school management should establish and implement disbursement procedures to ensure that disbursements are properly approved, supported, accounted for and made for a legitimate purpose.

The director should review invoices for authorization, receipt of the goods or services, and accuracy of the invoice and appropriate school purpose when entering invoices for payment into the school's computerized accounting system. The director should also prepare an abstract of invoices or a list of checks awaiting signature and provide these along with the checks, invoices and supporting documentation to the principal for review, approval and signature. The principal should then compare the checks awaiting signature to the invoices and supporting documentation, and abstract for accuracy, also ensuring they are for a school purpose, prior to signing the checks and the abstract. Invoices should be entered in the financial management system accurately.

The principal, board or other designee should periodically review bank statements and cancelled checks to ensure only those signed by authorized individuals and recorded in the abstract are cleared by the bank and made for appropriate school purposes. The cancelled checks and abstract should be periodically compared to a manual check log of checks issued and on hand to ensure there are no unexplained gaps in the check sequence which could possibly indicate an unauthorized disbursement. Finally, the abstracts should be provided to the board monthly for their review and acceptance, and retained on file to provide assurance that only authorized disbursements were made.

In addition, job duties should be segregated so that no single individual controls most or all phases of the disbursement process. When duties cannot be adequately segregated, compensating controls should be implemented.

Officials Did Not Provide Adequate Oversight of Disbursements

The Board did not establish adequate procedures over disbursements to ensure they were adequately supported, properly approved, accounted for and for a school purpose. Also, it did not segregate the cash disbursement process or implement mitigating controls. The School's disbursement procedures are documented in a process memo that designates the role of the Director and the Principal in the disbursement process. According to the process memo, the Director enters invoices into the accounting system, and prepares and prints checks, and the Principal signs the checks. Checks over \$5,000 also require the

Director's signature. However, the process memo does not include a process of documenting the Principal's review and approval of disbursements or for the subsequent review of cancelled check images by someone outside the disbursement process to ensure only checks signed by authorized individuals are cleared by the bank and are for appropriate School purposes. The process memo also does not require any reporting to the Board detailing the monthly disbursements approved and made.

Although the Principal signs checks presented to her for payment, the Director performs virtually all other aspects of the disbursement process with limited oversight, including entering invoices into the School's accounting system, maintaining the check stock, and preparing and mailing the checks. Also, while the bank statements are reconciled by an outside accounting firm, there is no procedure for comparing the cancelled check images to disbursements approved by the Principal. The Director told us that as he enters the invoices, and he reviews them for accuracy and School purpose, and to ensure the goods and services were received. He then prepares and prints checks for the Principal to sign. However, while the School's accounting system can generate an abstract of invoices and checks, he does not prepare one for the Principal when submitting the invoices and checks to the Principal, nor does he maintain a log of checks issued and on hand to ensure all issued and unissued checks are accounted for.

Once the Director has prepared the disbursement checks, he gives them and the invoices to the Principal for her review, approval and signature. The Principal told us that she reviews the invoices for accuracy and compares them to the printed checks before she manually signs each check. If a check is more than \$5,000, she then presents it to the Director for his signature as well. However, the Principal does not sign the invoices or an abstract of the invoices as evidence of her review and approval of the invoices. Such an abstract would also allow for a comparison to the cancelled check images to ensure only checks submitted to the Principal were issued, and comparison to the manual check log and check stock to ensure only checks on an approved abstract have been issued.

The Director and Principal told us they were not aware of the need to prepare and review an abstract, compare cancelled check images to approved disbursements or maintain a manual check log. The lack of maintaining a check log and preparing an abstract of invoices and checks submitted to the Principal for review and signing increases the risk that unauthorized check disbursements could be made by the Director without detection by the Principal or the Board. While the Board does receive summary financial information on a monthly basis, they do not require detailed disbursement information, bank statements and cancelled check images for their review, which is necessary for them to oversee disbursements. A certification or written statement by the Principal on the abstract or the actual

Although the Principal signs checks presented to her for payment, the Director performs virtually all other aspects of the disbursement process with limited oversight. ...

disbursement support would assure the Board that the Principal has reviewed and approved all disbursements prior to payment. Also, having procedures for comparing the check numbers to be signed to the manual check log and stock, and for comparing the abstract of invoices approved by the Principal to the cancelled check images would provide guidance to assure only authorized disbursements were made. Further, providing the Board each month with the list of approved invoices, bank statements and cancelled check images would provide them with assurance only authorized disbursements were made.

We examined 70 check disbursements totaling \$798,770, including 10 disbursements for credit card payments representing 174 purchases totaling \$36,433, to determine if they were accurately recorded, properly supported and approved, were for an appropriate purpose and agreed to the cancelled check images. All 70 disbursements lacked evidence of review and approval. However, the disbursements were accurately recorded, properly supported, were for a School purpose and agreed to the cancelled check images. In addition, the 32 checks for more than \$5,000, totaling \$678,800, in our sample of 70 checks were signed by the Principal and by the Director.

However, because one person is responsible for preparing all disbursements with limited oversight, the risk remains that inaccurate or inappropriate disbursements could be made without the Board's knowledge.

What Do We Recommend?

The Board should establish adequate procedures over disbursements that require:

1. The Director provide signed abstracts, bank statements and cancelled checks to the Board each month.
2. Maintaining a check log, documenting the approval of disbursements, comparing cancelled check images to the approved abstract of invoices and monthly reporting to the Board detailing the disbursements approved and made.

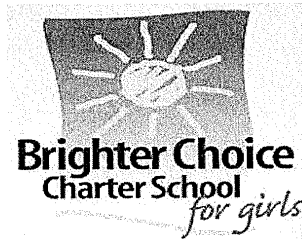
The Director should:

3. Maintain a manual log of checks on hand where the check stock is kept.
4. Prepare an abstract of invoices and checks and provide it to the Principal with the disbursement checks and their supporting documentation.

The Principal should:

5. Indicate the review and approval of disbursements by signing the abstract before signing the checks and returning the checks, invoices and abstract to the Director.
6. Periodically review the check log to ensure the next available check is being signed and that all unused checks are accounted for.
7. Periodically review cancelled check images to ensure only authorized and signed checks were cashed.

Appendix A: Response From Charter School Officials



Brighter Choice Charter School for Girls

Non-Payroll Disbursements

2023M-72

The entity, Brighter Choice Charter School for Girls, agrees with the audit recommendations within Report 2023M-72.

1.

Audit Recommendation: The Director provides signed abstracts, bank statements, and cancelled checks to the Board each month.

Implementation Plan of Action: On the first of the month The Director will email the Board all the signed abstracts for the previous month, the bank statements from the previous month, which include check images, and if applicable, any cancelled checks.

Implementation Date: This has already been implemented effective April 1st, 2023.

Person Responsible for Implementation: The Director

2.

Audit Recommendation: Maintaining a check log, documenting the approval of disbursements, comparing cancelled check images to the approved abstract invoices and monthly reporting to the Board detailing the disbursements approved and made.

Implementation Plan of Action: The Director will maintain a check log, as well as document approval of disbursements from emails received from The Principal. The Director will email the Board on the first of the month where they will be able to compare cancelled check images to the approved abstract of invoices.

Implementation Date: This has already been implemented effective April 1st, 2023.

Person Responsible for Implementation: The Director

3.

Audit Recommendation: Maintain a manual log of checks on hand where the check stock is kept.

Implementation Plan of Action: The Director will keep a manual log of checks where the check stock is kept. Each time a check run is started The Director will list the check range that is being used for that particular check run, date the manual check log, and initial the manual check log.

Implementation Date: This has already been implemented effective April 1st, 2023

Person Responsible for Implementation: The Director

4.

Audit Recommendation: Prepare an abstract of invoices and checks and provide it to the Principal with the disbursement checks and their supporting documentation.

Implementation Plan of Action: The Director will create an abstract of invoices and checks for The Principal. Along with the invoices and documentation, the Director will provide the abstract to the Principal for review. The abstract will include: The vendor, the amount of the check, whether the check is being split (intercompany) as well as the check number of the check for each particular vendor.

Implementation Date: This has already been implemented effective April 1st, 2023.

Person Responsible for Implementation: The Director

5.

Audit Recommendation: Indicate the review and approval of disbursements by signing the abstract before signing the checks and returning the checks, invoices, and abstract to the Director.

Implementation Plan of Action: The Director will provide the Principal with an abstract of vendors, disbursement amounts, as well as check number for each vendor. The Principal will review the abstract against the invoices the Director provided for review. Once reviewed, the Principal will sign and date the abstract and proceed to sign the checks.

Implementation Date: This has already been implemented effective April 1st, 2023.

Person Responsible for Implementation: Director (create the abstract). Principal (signing off on abstract).

6.

Audit Recommendation: Periodically review the check log to ensure the next available check is being signed and that all unused checks are accounted for.

Implementation Plan of Action: The Principal will randomly visit the Director's office and request to review the check log. The Principal will review the check log and ensure that the next check that is to be used is correct. The Principal will initial and date the check log when the review is complete.

Implementation Date: This was put into place on August 22nd, 2023.

Person Responsible for Implementation: The Principal

7.

Audit Recommendation: Periodically review cancelled check images to ensure only authorized and signed checks were cashed.

Implementation Plan of Action: The Principal will randomly visit the Director's office and request to review any cancelled/voided checks. The Principal will review bank statements to ensure that the specific check number was not cashed.

Implementation Date: This was put into place on August 22nd, 2023.

Person Responsible for Implementation: The Principal

Signed:

Martha Snyder

Date:

9/12/2023

Name: Martha Snyder

Title: Board Chair

Signed:

Date:

9/5/23

Name: Kristina Ford

Title: Principal

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed the Director, Principal and other applicable personnel and examined available records to understand the disbursement process.
- We examined bank statements, cancelled check images, actual check stubs and the general ledger to determine if disbursements were recorded properly.
- Using our professional judgment, we selected 60 check disbursements based on attributes such as dollar amount, or vendor name. We examined the associated invoices, purchase orders, Board Minutes, and emails to determine disbursements were authorized. We interviewed the Director and Principal and other knowledgeable personnel to determine if the disbursement was authorized and for a legitimate School purpose.
- Using our professional judgment, we selected every other disbursement for a credit card payment, beginning with the payment due July 2021, for a total of 10 check disbursements.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a written corrective action plan (CAP) that addresses the recommendations in this report and forward it to our office within 90 days. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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