



Lindenhurst Union Free School District

Collections

2024M-24 | July 2024

Contents

- Report Highlights 1**

- Collections 2**
 - How Should Collections Be Accounted For and Deposited? 2
 - Collections Were Not Properly Recorded in a Cash Log and Receipts Were Not Issued 3
 - Collections Were Not Always Deposited Timely 5
 - The Treasurer’s Reports Were Not Presented to the Board Timely . . 6
 - What Do We Recommend? 7

- Appendix A – Response From District Officials 8**

- Appendix B – Audit Methodology and Standards 9**

- Appendix C – Resources and Services 11**

Report Highlights

Lindenhurst Union Free School District

Audit Objective

Determine whether Lindenhurst Union Free School District (District) officials ensured that funds collected from recreational and educational programs were properly recorded, deposited and reported.

Key Findings

District officials did not ensure that funds collected from all recreational and educational programs were properly recorded, deposited and reported. As a result, there was an increased risk of improper accounting of and potential theft of collections without detection.

We reviewed \$311,876 collected by the business office from five District recreational and educational programs and determined that:

- In-person collections totaling \$130,568 were not recorded in a collection log.
- Employees made 25 deposits totaling \$29,639 between 11 and 26 days after District programs recorded receipts on a transmittal form.
- Treasurer reports were presented to the Board between 65 and 261 days after the end of the month being reported.

Key Recommendations

- Maintain a log which records the date, amount and payor of program funds received.
- Update District policy to provide guidance to ensure the timely deposit of funds collected.
- Ensure that the Treasurer's monthly reports are presented to the Board in a timely manner.

District officials agreed with our recommendations and indicated they plan to initiate corrective action.

Audit Period

July 1, 2021 – October 31, 2022

Background

The District is located in the Town of Babylon in Suffolk County and is governed by an elected nine-member Board of Education (Board), which is responsible for the general management and control of the District's financial and educational affairs.

The Superintendent of Schools (Superintendent) is the chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The Assistant Superintendent for Finance, Operations and Technology (Assistant Superintendent) oversees the District's business operations. The recreational and educational program directors and coordinators are responsible for recording and reviewing collections.

Quick Facts

Recreational and Educational Programs Reviewed	5
Online and Mailed-In Collections	\$181,308
Collections at the District	\$130,568

Collections

The District provides several programs to its students, residents and teachers, including adult education, swimming lessons and pool usage, driver education, owl teaching¹ and the fine and performing arts program (Programs). These Programs are usually seasonal, and a class roster is generally prepared for each Program. The fine and performing arts program maintains applications instead of a class roster. Some Programs are funded partially by State or federal funds, while others are funded primarily with money billed for services. The Programs are advertised on the District's website, and payments and registration can be done either online or in person. The fine and performing arts program processes applications manually and does not collect online funds directly from payees. Instead, the instructors collect the funds and enter the information into an online platform. In-person payments are made by cash, check or money order, mailed-in payments are made by checks, and online payments can be made by debit and credit card or a debit directly from a bank account.

When money is collected in-person or mailed-in at the Program level, the funds are brought to the business office to be deposited with a transmittal form summarizing the funds collected from Program participants. The transmittal form documents information, including the Program, amount being remitted, activity the collections are generated from, and a breakdown of the funds collected (cash, check, money order). The transmittal form should also be signed by an employee or official (director or coordinator) who works for the Program. Program officials or employees then bring the money and transmittal form to the business office, where the money is counted and a duplicate receipt is issued by an administrative assistant from the business office to the Program employee. The receipts are recorded on a cash log on a Google drive by several employees in the business office. An account clerk verifies that the funds on the transmittal form matches the actual funds received. The account clerk prepares the deposit ticket for the cash collections, and deposits checks through a remote check deposit machine and records the receipts in the financial software. A messenger transports the cash collections to the bank. Another clerk compares the deposit log with bank statements to determine whether all funds recorded were deposited in the bank.

How Should Collections Be Accounted For and Deposited?

Collections should be adequately accounted for and deposited both intact (same form and amount as collected) and timely. A school board (board) should develop policies and procedures to provide guidance to school district (district) officials and employees who receive funds to ensure collections are secured until deposited in the bank, deposited in a timely manner and reconciled to the

¹ Professional development training for teachers offered by New York State

bank statement. Although no system is foolproof, a well-designed set of control procedures can provide reasonable assurance that thefts of collections and record-keeping errors will be prevented or detected.

New York State General Municipal Law (GML) Section 99-b requires that every public officer or employee receiving money on behalf of any municipality or district, where no other evidence satisfactory for the purpose of audit is available, shall issue a receipt to the person making the payment. Officials should retain a copy of each receipt, with the receipts being numbered consecutively. The best approach is to deposit money as soon as possible. The longer money remains undeposited, the greater the risk that loss or theft can occur. The Commissioner's Regulations 170.2(o) requires the treasurer to report to the board monthly on the condition of all district funds. This report shall include all cash balances, including checking accounts, savings, certificates of deposits and any form of investments. Additionally, all receipts by source and the reconciliation of bank statements should be included in the monthly treasurer's report. Additionally, District policy requires the Assistant Superintendent to present a monthly cash reconciliation to the Board, so that the Board is kept informed of the District's financial status.

Officials should comply with District policies and procedures which include the Board-adopted "Fiscal Accounting and Reporting" policy that required that all financial transactions to be clear, complete and detailed. Additionally, the Board-adopted "Fiscal Management Goals" policy required all receipts and expenditures to be recorded fully and in the proper manner, all funds (including cash in buildings) to be protected from misappropriation, and that laws and regulations governing the use of public funds are strictly adhered to. Additionally, the "Business Office Accounts Receivable Procedure Manual" required that all cash submitted to the business office be logged and compared to the cash transmittal sheet.

Collections Were Not Properly Recorded in a Cash Log and Receipts Were Not Issued

We determined that officials for the five Programs reviewed did not maintain a collection log or issue receipts to record the date, amount and payor of funds collected. Because collection records were not maintained, we requested rosters or applications from each Program for classes, and applications for instrument rentals and participation in the New York State School Music Association from the fine and performing arts program. Based on the rosters or applications and the fees for each activity, we determined the amounts that should have been collected by the five Programs during our audit period. We then compared the amounts supported by the roster and application to the amounts recorded on the transmittal forms that each Program provided to the business office for deposit and funds collected online during our audit period (Figure 1).

Figure 1: Program Collections

	Collections Per Applications and Rosters	Deposits	Difference
Adult Education	\$28,763	\$30,222	\$1,459
Drivers Education	27,800	27,300	(500)
Fine and Performing Arts	12,024	13,424	1,400
Owl Teaching	126,145	125,935	(210)
Pool and Swimming	32,150	41,300	9,150
Total	\$226,882	\$238,181	\$11,299

As shown in Figure 1, the amount of collections supported by the rosters and applications differed from the amount remitted to the business office for each of the five Programs. For example, the fine and performing arts program official or employee remitted \$1,400 more than the amount supported by the applications to rent instruments or attend a music festival. Business office employees said that when funds are received from the Programs, they verify that the amount received matches the amount on the transmittal form, but they do not receive supporting documentation with the transmittal forms to confirm that the remitted amounts agree between the transmittal forms and supporting documentation.

We asked various employees from the Programs about these differences. A clerk from the adult education program said that there are times when students will pay cash late, and the money was brought to the business office without adding the student to the roster. The director of the swimming program said she does not know why there are more deposits than registered students, but a class roster may be missing from the support provided. The directors for owl teaching and drivers education said that their deposits may be less than collections because students on the roster may have subsequently cancelled their enrollment and the roster was not updated. Because Program officials did not issue cash receipts or maintain collection logs to reconcile to the funds deposited by the business office, there is no assurance that all funds collected were deposited or that the proper amount was collected from participants.

In addition, the Board-adopted policies and business office procedure manual did not provide guidance on how soon collections are required to be deposited in the bank. The policies also did not detail the proper manner of recording in-person or mailed-in collections at the Program level, such as using a collection log. Furthermore, although the District's policy requires that officials comply with all laws governing public funds, it does not provide guidance on which laws should be followed, such as issuing a receipt when funds are collected as required by GML. Because the District's policies did not provide clear guidance, deposits were not timely, and officials maintained inadequate records of collections made

outside the business office. Therefore, there was an increased risk of improper accounting of and potential theft of collections without detection.

Collections Were Not Always Deposited Timely

During our audit period, the business office recorded 140 transactions² totaling \$311,876 in the financial software for the five Programs reviewed, including 102 transactions totaling \$130,568 paid by cash or check and 38 transactions totaling \$181,308 paid online or mailed directly to the District. We reviewed the 102 transactions recorded for cash collected directly by the Programs to determine whether these funds were deposited timely and intact, and in agreement with amounts reported on the transmittal form. Because the five Programs did not maintain collection logs to document the date that funds were received, we compared the date the Program prepared the transmittal form to the date the funds were deposited in the bank. Although deposits were intact and the deposit amounts agreed with amounts on the transmittal forms, we determined that the funds were not always deposited in a timely manner. Because the District’s policy did not require that deposits be made within a specific timeframe, we used 10 days from the date of the transmittal form as the cutoff for determining collections were not made timely.

We determined that 25 of the 102 transactions totaling \$29,639 were deposited in the bank by the business office between 11 and 26 days after the date that the Programs prepared the transmittal form (Figure 2). For example, two collections from owl teaching totaling \$4,960 were each deposited 24 days after the transmittal form was prepared. The transmittal forms for both deposits were dated April 29, 2022, and the funds were deposited in the bank on May 23, 2022.

Figure 2: Late Deposits

	Number of Deposits Reviewed	Amount Deposited	Number of Late Deposits	Amount of Late Deposits	Percentage of Late Deposits	Range of Days Before Deposit
Adult Education	12	\$9,974	2	\$396	4%	15 to 17
Drivers Education	3	800	2	500	63%	11 to 12
Pool and Swimming	12	35,950	2	4,900	14%	12 to 26
Owl Teaching	43	70,420	13	23,085	33%	12 to 26
Fine and Performing Arts	32	13,424	6	758	6%	13 to 21
Total	102	\$130,568	25	\$29,639	23%	11 to 26

² A transaction is recorded for generally each transmittal form received by the business office.

Business office employees said that funds were not always deposited in the bank in a timely manner because funds were held when either the employee who receives the funds from the Programs or the employee who prepares the bank deposits are on vacation. However, this is not a valid justification, and more than one employee should be able to accept Program remittances and prepare deposits, as the longer collections remain undeposited, the greater the risk that loss or theft can occur and the District does not have use of all funds when they are held.

The Treasurer's Reports Were Not Presented to the Board Timely

The Treasurer and Assistant Superintendent did not ensure that the Treasurer's reports, including the cash reconciliations, were presented to the Board in a timely manner. The District's monthly Treasurer's report to the Board included the revenue and expenditure status reports, bank balances, bank activity and bank reconciliations for the extra classroom activity fund and District bank accounts. An account clerk prepared the bank reconciliations for the District's bank accounts and were reviewed by the Treasurer. While the account clerk prepared the reconciliations in a timely manner, they were not always reviewed and presented to the Board in a timely manner.

We reviewed all the Treasurer reports that were prepared during our audit period, including the reconciliations prepared by the account clerk. We determined that 13 of the 16 monthly reports reviewed were not presented to the Board in a timely manner. The Board received the monthly reports between 65 days (two months) and 261 days (almost nine months) after the end of the month which it was being reported on. For example, at the Board meeting on November 16, 2022, the Treasurer's reports for February, March, April and May 2022 were presented to the Board. Furthermore, the Treasurer's reports for January and February 2022 were presented to the Board 254 and 261 days after the end of the month, respectively.

The current Treasurer, who was appointed in January 2022, said that there was a backlog of the reports that she was trying to bring up to date. The failure to prepare and present timely monthly Treasurer's reports limits the Board's ability to adequately and effectively monitor and manage the District's financial resources. Also, the failure to prepare monthly Treasurer's reports increases the risk that errors and irregularities could occur and not be detected.

What Do We Recommend?

The Board should:

1. Update the District's policies and procedures to require that collections are deposited in a timely manner, including guidelines on how soon collections are required to be deposited after they are received.
2. Require the Treasurer to submit monthly reports in a timely manner and that cash reconciliations be included.

District officials should:

3. Implement procedures to address the timely remittance of collections from the Programs to the business office, and the depositing of collections by the business office, the maintenance of a log to record the collections at the Program level and the issuance of cash receipts. The log maintained at the Program level should be reconciled to transmittal form and the funds delivered to the business office.
4. Ensure the business office has more than one person to receive remittances from the Programs and one person that prepares deposits to prevent the untimely processing and depositing of collections.

The Treasurer and Assistant Superintendent should:

5. Ensure that the monthly Treasurer's report, including cash reconciliations, is presented to the Board in a timely manner.

Appendix A: Response From District Officials



Lindenhurst Union Free School District

Administration Building 350 Daniel Street Lindenhurst, NY 11757
Tel: 631-867-3001 Fax: 631-867-3008 vcaravana@lufsd.org

Vincent A. Caravana
Superintendent of Schools

July 3, 2024

Ira McCracken
Chief of Municipal Audits
Office of the State Comptroller
Hauppauge Regional Office
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

Dear Mr. McCracken:

The Lindenhurst Union Free School District would like to thank you and your staff for providing us the draft audit report on Collections 2024M-24. We find the Report to be accurate and a useful tool in helping the district to better identify improvements to our internal control environment.

We would like to thank the staff that were assigned to our audit. They exercised considerable skill and professionalism and represented the interests of the state in an exemplary manner.

The District has already taken corrective action and will file our formal Corrective Action Plan within 90 days of the report being finalized.

Sincerely,

Vincent Caravana
Superintendent of Schools

Cc: Board of Education
Richard Snyder - Assistant Superintendent
for Business and Operations

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and employees and reviewed District policies and procedures to gain an understanding of how officials processed collections.
- We reviewed the District's cash receipt reports from the financial software to identify recreational and educational programs outside of the business office that collected funds. We determined that five Programs collected funds for deposit, including the swimming pool, owl teaching, drivers education, fine and performing arts and adult education. We interviewed employees and reviewed procedures for the five programs to gain an understanding of their collection and recording procedures.
- We reconciled all receipts on transmittal forms to the business office cash receipts log to determine whether all funds brought to the business office by Program officials were deposited in the bank. We then traced the money delivered to the business office to the bank statements to determine whether all funds were deposited intact and timely. We also traced cash receipts to the financial software and bank statements.
- We reviewed documentation and interviewed District employees to determine the fees for services provided by the Programs. We requested class rosters and applications for the services and determined the number of participants and amount of funds due for the services provided by each Program. We compared the amount due for services provided by each Program to the funds documented on transmittal forms brought to the business office for deposit, including all funds collected online. We discussed any discrepancies with District and Program officials.
- To determine whether Program funds from the Programs were deposited in a timely manner, we compared the date on the cash transmittal report to the date the business office issued a receipt to the Program, and then to the date of deposit on the District's bank statement.
- We reviewed the Treasurer's reports to determine what information was provided to the Board for review. We reviewed Board meeting minutes and resolutions to determine whether these reports were presented to the Board in a timely manner. Because Board meetings were generally early in the month, we did not consider any report presented to the Board more than two months following the month being reported to be timely.

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. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. 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. The CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

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

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

HAUPPAUGE REGIONAL OFFICE – Ira McCracken, Chief of Municipal Audits

NYS Office Building, Room 3A10 • 250 Veterans Memorial Highway • Hauppauge, New York
11788-5533

Tel (631) 952-6534 • Fax (631) 952-6091 • Email: Muni-Hauppauge@osc.ny.gov

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