



Albany Leadership Charter School for Girls

Cash Collections

2022M-165 | February 2023

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Report Highlights

Albany Leadership Charter School for Girls

Audit Objective

Determine whether Albany Leadership Charter School for Girls (School) Board of Trustees (Board) and officials ensured collections were properly accounted for and deposited in a timely manner.

Key Findings

The Board and School officials did not ensure collections were properly accounted for and deposited timely. Also, the School's cash receipts policy was inadequate and officials did not enforce the policy. As a result, officials and staff did not:

- Monitor collections received in the main office to ensure all collections were accounted for or deposited in a timely manner. As a result, 113 collections totaling \$914,291 (99 percent of total collections remitted to the business office) were not deposited timely. For example, collections totaling about \$318,000 were deposited between 91 and over 200 days after they were received.
- Monitor State aid payments to ensure all available revenue was received, recorded accurately and deposited timely. State aid checks totaling \$41,167 were not accounted for or deposited.

As a result, the School did not have access to the undeposited funds, the Board's monthly financial reports did not accurately report revenue, and the risk of loss, diversion or theft of School funds was increased.

Key Recommendations

- Maintain detailed collection records, deposit collections in a timely manner, and reconcile collections lists and remittances to bank deposits.
- Ensure State aid payments are properly accounted for and deposited timely.

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 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 School is funded primarily through revenues derived from billing area school districts for resident students that attend the School and certain state and federal aid payments for these students.

The School Leader is the School's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the School under the Board's direction.

The School Business Administrator (Business Administrator) is the chief financial officer and is responsible for maintaining financial records, preparing monthly financial reports and making deposits.

Quick Facts

Revenues	\$6,000,981
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Collections Remitted to the Business Office for Deposit

Number	121
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Amount	\$924,854
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Audit Period

July 1, 2021 – June 30, 2022

Cash Collections

How Should Collections Be Accounted For and Deposited?

A board should develop policies and procedures to provide guidance to school officials and employees who receive funds to ensure cash collections are appropriately accounted for, physically safeguarded, deposited in a timely manner and reconciled to the bank statement. Good business practices require school staff to remit collections to the business office for recording and deposit. These collections should be supported by duplicate receipts or a collection log detailing the source of the payment, check number or indication of cash, date received and the purpose for the payment. When collections are remitted to the business office, they should include a copy all the supporting documentation. Further, collections should be deposited as soon as possible, or reasonably within seven days.

Collections should be recorded in the accounting records as soon as possible. In addition, on a monthly basis and as part of the bank reconciliation process, the log of collections received should be compared to the accounting records, deposit records and bank statement to ensure all collections received are appropriately recorded and deposited in a timely manner. The available online resource *Open Book New York*¹ showing issued aid payments should be periodically checked to ensure all payments to the School have been received.

The School's cash receipts policy requires all mail received in the main office to be opened by dedicated staff and for all checks received to be manually stamped "For Deposit." The cash receipts policy also requires dedicated staff to maintain a list of all checks received, including the date, source and amount, and to forward the checks to the business office. For cash and checks remitted directly to the business office (other than from the main office), the business office should be provided with a copy of a hand-prepared deposit form signed by the person bringing the funds and business office personnel. Further, the cash receipts policy requires the business office to deposit all cash collections "on a timely basis" and maintain cash collections in a secured area before deposit.

The School's Cash Receipts Policy Was Not Adequate or Followed

Payments from several of the school districts are made by check and mailed to the School, as are the state and federal aid payments. Payments from other school districts are made electronically to the School's bank, and while we observed that the controls for electronic payments are adequate and deposited in a timely manner, we identified certain areas of improvement for collections received by mail or in person at the main office.

¹ <https://www.osc.state.ny.us/open-book-new-york>

The cash receipts policy was not adequate and School officials did not follow the cash receipts policy. Specifically, the cash receipts policy did not provide guidance to business office staff on how soon a cash collection must be deposited after the funds are received.

The front desk assistant in the main office was responsible for opening the mail and stamping all checks for deposit. During our audit period, she stamped 121 checks totaling \$924,854 with the date received and restrictively endorsed them for deposit only in the School bank account. However, the front desk assistant did not maintain a list of checks received as required by the School's cash receipts policy. Additionally, the front desk assistant did not prepare a transmittal form when checks were remitted to the Business Administrator for recording and deposit. The front desk assistant told us that she was never instructed to maintain a list of checks received that were stamped. The Business Administrator told us that the front desk assistant was required to maintain a list of checks received, but he did not prioritize ensuring that the procedure was being followed. We also observed that while duplicate cash receipt records were maintained for collections received in the main office other than by mail, a remittance receipt was not prepared when these collections were sent to the business office for deposit.

When collection records do not include documentation showing that collections were received by the front desk assistant and remitted to the business office, there is an increased risk of collections being lost, diverted or stolen. Further, without maintaining complete collection records, School officials cannot monitor the collections process and ensure that all collections are properly accounted for and deposited timely. The lack of formal guidance defining how frequently collections should be deposited increases the risk that collections will remain undeposited.

Collections Were Deposited and Recorded Late

The Business Administrator said he generally receives collections daily from the main office; however, he kept the collections in a locked cabinet in the business office for weeks or months at a time without recording the information in the accounting system or depositing collections in the bank. The Business Administrator said that due to other priorities, he did not make time to ensure collections were recorded and deposited in a timely manner. When time allowed, the Business Administrator directed staff to prepare deposits in the financial management application that recorded the collections and he would generally take the deposit to the bank the same day. While we recognize that the Business Administrator has multiple priorities, this does not absolve him of his duties to maintain complete, accurate and timely cash collection records. Additionally, the time and effort to direct staff to record cash collections and take collections to the

bank, which is within five miles of the School, is not sufficiently burdensome to prevent School officials from depositing collections in a timely manner.

We examined all 121 manual collections remitted to the business office during our audit period totaling \$924,854 to determine whether they were deposited in a timely manner, intact and properly recorded. Based on discussions with Board members and the Business Administrator, we determined that seven days was a reasonable amount of time to record and deposit all collections. We found eight collections totaling \$10,563 were deposited within seven days; however, 113 collections totaling \$914,291 were not deposited or recorded in a timely manner, ranging from eight to 269 days after collection (Figure 1). We determined that these collections were properly recorded and deposited intact based on the deposit detail (e.g., copies of checks and fundraising reports), and verified the deposits in the School’s bank statements.

Figure 1: Days to Deposit

Days to Deposit	Dollar Amount	Number of Collections
>200	\$1,753	5
91 to 200	316,132	31
61 to 90	147,257	18
31 to 60	224,164	27
16 to 30	173,914	24
8 to 15	51,071	8
Total	\$914,291	113

As a result, the School did not have access to the undeposited funds and the monthly financial reports to the Board did not accurately represent all revenues collected by the School in a timely manner. When collections are not recorded and deposited in a timely manner, the risk of loss, diversion or theft increases and the School does not have use of all funds.

State Aid Payment Collections Were Not Monitored

The School did not monitor State aid payments to ensure all available revenue was received, recorded accurately and deposited timely. Historical information detailing State aid payments made to the School was available online through Open Book New York. During our audit period, the School was issued 30 State aid checks totaling \$465,957. We found three State aid checks from May and June of 2022 totaling \$41,167 were not recorded in the School’s accounting records or deposited in the bank. These State aid checks were not found among the undeposited checks on hand in the main office or business office when we conducted a cash count on July 27, 2022. The Business Administrator said he had no knowledge of what happened to these checks or if they were received by the main office because no check log is maintained. Subsequent to the end of field work, we reached out to the Business Administrator on September 16, 2022 and he said the missing five checks were found. We were provided with copies of these checks and the supporting deposit detail showing that they were deposited

on September 9, 2022. According to the Business Administrator, these checks were misplaced by front desk staff and later found while preparing to move operations to another building.

When State aid payments are not monitored and collection logs are not maintained, there is an increased risk that funds received can be lost, stolen or diverted.

What Do We Recommend?

The Board should:

1. Update the cash receipts policy to address the timely recording and depositing of collections, including an appropriate time frame for how soon collections are required to be deposited and recorded after they are received.
2. Require the School Leader to ensure School staff comply with the cash receipts policy by ensuring:
 - a. Main office staff maintains a list of all collections received, including the date, form, amount, payor and purpose of each collection, and a transmittal sheet for all collections is prepared and remitted to the Business Administrator for deposit.
 - b. The Business Administrator records and deposits all collections in a timely manner.

The Business Administrator should:

3. Record and deposit collections in a timely manner.
4. Reconcile the list of collections received in the main office and the transmittal sheets with the deposit records each day they are received.
5. Reconcile the list of collections received in the main office and the transmittal sheets with the School's bank statement as part of the monthly bank reconciliation process.
6. Periodically monitor the *Open Book New York* website to ensure all issued State aid check payments are received, recorded and deposited in a timely manner.

Appendix A: Response From School Officials



January 23, 2023

Mr. Gary Gifford
Office of the NYS Comptroller
Division of Local Governments & School Accountability
110 State Street, 12th Floor
Albany, New York 12236

Dear Mr. Gifford:

On behalf of the Board of Trustees and the School Leader, please accept this as acknowledgement of and response to the audit findings. The Board and school officers appreciated the professional manner and courtesy extended by the Office of State Comptroller staff throughout the audit process and welcome the opportunity to tighten and improve our internal processes.

The Board and chief school officer accept the findings as presented by OSC and will be implementing changes to ensure this lapse in applying existing policies does not recur. The audit results were unexpected; there is no justification we can provide for the Business Administrator indicating he prioritized other functions to the detriment of his core responsibilities.

The Board will be updating the fiscal policy manual as well to reflect best practice and to optimize newer business practices to ensure gaps such as those identified as part of the audit are closed. Among the changes to be implemented include:

- Updating the cash receipts policy to specify that receipts should be deposited no later than seven business days from receipt of the cash.
- Implementing a means by which cash receipts received can be electronically deposited and updating the policy manual to reflect such option.
- Updating the cash receipts process to direct all mail to the administration office, as opposed to either the middle or high school. By redirecting mail to the administration office, we anticipate this will allow each of the school building staff to focus on their priorities and allow the central office to prioritize the business operations of the school system. This will require updating several policies within the fiscal policy manual to reflect a new process for opening, logging, and stamping cash receipts but should reduce the changes that delay in deposits occur.
- Requiring the chief school officer to develop a process to validate that the Business Administrator is carrying out core responsibilities in a timely and consistent manner.

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This audit brought to our attention gaps we were not aware of. We have begun steps to implement the corrective actions noted above and are committed to ensuring that sound fiscal practices are consistently adhered to at ALCS.

Sincerely, ☺

Beth Robertson
Board Chair

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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 Business Administrator, Bookkeeper, School Leader and Board Members and reviewed Board minutes and policies to gain an understanding of the School's processes related to cash collections and deposits.
- We traced collections to the bank statements and accounting records to determine whether they were deposited in a timely manner and properly recorded. Through discussions with the Business Administrator and Board Members and using our professional judgment, we assigned seven days as a reasonable timeframe for depositing and recording collections.
- We traced collections from the bank statements through the School's deposit documentation to the cash receipts register to determine whether collections were recorded prior to deposit.
- We compared the School's recorded and deposited state and federal aid payments to the list available through *Open Book New York* to determine whether all issued payments were recorded and deposited.

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.

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 School's website 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

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Contact

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