



# Valley Stream Union Free School District Thirteen

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## Disbursements

**2023M-178 | March 2024**

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# Report Highlights

## Valley Stream Union Free School District Thirteen

### Audit Objective

Determine whether the Valley Stream Union Free School District Thirteen (District) Board of Education (Board) and Treasurer appropriately and securely executed check signatures for non-payroll checks.

### Key Findings

The Board and Treasurer did not appropriately and securely execute check signatures for non-payroll checks between July 1, 2021 and June 30, 2023. Although the checks we reviewed were disbursed for what appear to be legitimate District purposes, when the Treasurer does not maintain control of his electronic signature, the chances of unauthorized checks being signed increases. The audit also identified that:

- Although the Board did not authorize the Treasurer to sign District checks with an electronic signature, the Treasurer used an electronic signature to sign 3,621 non-payroll checks totaling \$26.7 million.
- The Treasurer did not maintain custody or supervise the use of his electronic signature, and he remotely signed 615 checks totaling \$4.8 million.
- A former Board member was not removed as a signer, and new Board-appointed signers were not added to the District's bank accounts. When Board-authorized signers are not updated with the bank, the risk of unauthorized checks being processed increases.

### Key Recommendations

- Authorize the use of an electronic signature.
- Maintain custody of the Treasurer's electronic signature and supervise its use.
- Ensure the District's bank always has the current appointed check signers on record.

District officials generally agreed with our recommendations and indicated they have initiated or plan to initiate corrective action.

### Audit Period

July 1, 2021 - June 30, 2023

### Background

The District is a Nassau County elementary school district that encompasses parts of the Village of Valley Stream, and the communities of North Valley Stream, Malverne, Franklin Square and Elmont.

The District is governed by a seven-member Board responsible for managing the District's financial and educational affairs. The Assistant Superintendent for Business and Human Resources (Assistant Superintendent) oversees the day-to-day financial and personnel operations. The Treasurer is appointed by the Board annually to maintain custody of all District funds, pay all authorized District obligations and report to the Board monthly.

#### Quick Facts

General Fund Disbursements	\$26.7 million
Number of General Fund Checks	3,621
Disbursements Reviewed	\$1.7 million
Number of Checks Reviewed	205

# Disbursements

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## **How Should The Board and Treasurer Safeguard Check Signing?**

A school district treasurer is the custodian of district funds and is responsible for the disbursement of all money, including check signing. A school board (board) may appoint a deputy treasurer to perform these duties when the treasurer is absent. The board may authorize the use of an electronic check signing device for both the treasurer and alternate check signers, if appointed. When individuals authorized to sign checks leave the district, officials should immediately contact the bank to revoke their check signing authority and destroy their electronic signature device.

The treasurer and alternate signers, if appointed, must keep personal control and custody of their electronic signatures; either sign checks personally or be present when checks are printed; and maintain a log of the checks written. The treasurer should also compare the printed checks against the approved warrant (list of checks), and record the first and last number of checks run, the date of the run, and the sequential number of voided checks within each check run.

## **The Board and Treasurer Did Not Safeguard Check Signatures**

The Board appointed a Board member as the alternate check signer in July 2021 for the 2021-22 fiscal year, and two Board members as alternate check signers for the 2022-23 fiscal year. However, the Assistant Superintendent did not change the 2021-22 authorized signers at the District's bank until November 2021 and bank records have not been updated since then. The two new alternate signers approved by the Board in July 2022 have not been added to bank signature cards, and a former Board member was never removed from bank records. When we brought it to the Assistant Superintendent's attention, he contacted the bank immediately to have the former Board member removed and updated the bank's records with the two current Board-authorized alternate signers. He told us that the Assistant Business Administrator handles the updates, so he was not aware that it was not done.

The Treasurer uses an electronic signature stored on a password-protected flash drive to sign checks. The Treasurer said that only he knows the password to the drive. We requested the Board resolution authorizing the use of an electronic signature and policies related to the check signing process. However, the District Clerk told us that there was no Board resolution authorizing the use of an electronic signature for check signing. The Board President, an alternate signer, told us that she was not aware of any policies or Board resolution authorizing the use of an electronic signature to sign checks, but assumed the District was in compliance with any related laws. The Board Vice-President – the other alternate signer – was also not aware of any policy or Board resolution authorizing an electronic signature, but stated that it could have been done before he became a Board member. The Assistant Superintendent said he was not aware that

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Board authorization to use an electronic signature was required and the Treasurer told us he did not know whether the use of electronic signatures was Board-authorized. He said that when he started working at the District in 2021, the Assistant Superintendent provided him with the flash drive containing his electronic signature, so that is who authorized him to sign checks electronically. The Superintendent provided us with the policy for appointed officials, which states that the Treasurer is responsible for signing all checks issued for Board-authorized obligations, and the Board will appoint an alternate check signer to perform the Treasurer's duties in the event of absence or inability. The policy does not address the use of electronic signatures to sign checks.

The Treasurer does not maintain custody of the flash drive. The flash drive is stored in the District's business office safe and the key to the safe is kept by the payroll clerk. Both the accounts payable (AP) clerk and payroll clerk have access to the flash drive with the Treasurer's signature and both have authorized user permissions to print checks in the financial software.

When the Treasurer's signature was affixed to District checks, he was not always present at the District during the check signing process to supervise the use of the flash drive with his electronic signature. On several occasions during the audit period, the Treasurer remotely logged into the AP clerk's computer and remotely logged into the flash drive with his electronic signature so checks could be signed. This procedure required the AP clerk to retrieve the flash drive with the Treasurer's electronic signature from the safe, insert it into her computer and grant the Treasurer remote access to her computer to enter his password. The Assistant Superintendent told us that the District started the practice of signing checks remotely in 2020 during the COVID-19 pandemic and no one thought there were any risks with the process. When the Treasurer does not maintain control of the flash drive with his electronic signature and is not present at the District to supervise its use, the chances of unauthorized use of the electronic signature increases.

The Treasurer also told us that when he was onsite at the District for check signing, he compared warrants to signed checks but did not do this when he signed checks remotely. He also did not record the date he signed checks or the first and last check number of each check run. He explained that he did not need to record the check numbers because the District's financial software printed check numbers in sequential order and he relied on the AP clerk, who recorded the first and last check number of each check run. However, relying on the financial software and the AP clerk did not ensure that all checks were accounted for and none were misused or printed without the Treasurer's knowledge.

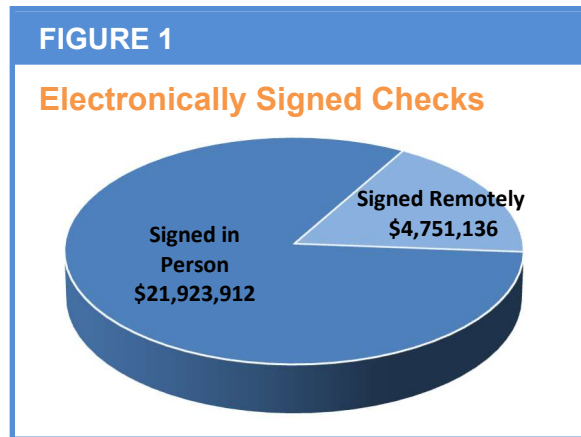
In June each year, the Treasurer, AP clerk and payroll clerk decide and schedule the District's check run dates. The schedule requires the Treasurer to be at the District at least twice per month, but sometimes accounts payable disbursements are needed outside of the two scheduled days.

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The Treasurer does not maintain custody of the flash drive.

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There were 52 check runs during the audit period: 49 scheduled and three unscheduled. The Treasurer signed checks on all 52 check run dates during the audit period (\$26.7 million), whether or not he was at the District. Neither the Treasurer nor the AP clerk kept records of dates checks were remotely signed. The Treasurer and AP clerk told us that only on the days the Treasurer signed checks remotely, the AP clerk emailed him the warrants to review. Therefore, we compared the 52 check run dates to dates the AP clerk emailed warrants to the Treasurer during the audit period and determined that the Treasurer remotely signed 615 checks totaling \$4.8 million for nine of the 52 check runs during the audit period (Figure 1).



We reviewed the disbursements report and related warrants for the audit period to determine whether all checks were accounted for and issued in sequence. We also selected a sample of 205 disbursements totaling \$1.7 million, reviewed the associated claim packets, warrants and canceled check images, and determined whether the disbursements were for legitimate District business and all checks were signed by the Treasurer as indicated. While we identified minor deficiencies which we discussed with employees and officials, we did not observe inconsistencies among claims, checks and warrants. We determined all disbursements appeared to be for official District purposes.

The Treasurer said that one of the reasons he signed checks remotely was that, to his knowledge, he has no deputy who can sign checks in his absence. He was not aware the Board President and Board Vice President were authorized alternate signers in his absence. The AP clerk told us the Treasurer also signed checks remotely because sometimes checks were not ready in the system for him to sign on scheduled days, or he was not available when checks were ready to be signed.

Because the Board did not authorize the use of the Treasurer's electronic signature and did not ensure that the Treasurer was present during check signing, the Treasurer did not appropriately and securely execute his signature on the 3,621 checks totaling \$26.7 million issued during the audit period. Furthermore, when the Treasurer does not maintain control of the flash drive with his electronic signature and is not present at the District to supervise its use, the chances of unauthorized use of the electronic signature increases. Lastly, if the bank is not promptly notified of changes to Board-authorized signers, the risk of unauthorized checks increases and the bank could disallow valid checks signed by legitimate Board-authorized signers.

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## What Do We Recommend?

The Board should:

1. Authorize the use of an electronic signature and develop a policy governing the use of electronic signatures.

District officials should:

2. Remove prior authorized check signers from bank records as soon as their appointed term is complete.
3. Ensure the District's bank always has the current appointed check signers on record.
4. Ensure alternate check signers sign checks when the Treasurer is absent.

The Treasurer should:

5. Maintain custody of the flash drive with his electronic signature and supervise its use.
6. Maintain a log of the date of each check run that he signs checks, and the first and last number of the checks run, to ensure that all checks are accounted for and none were misused or printed without his knowledge.

# Appendix A: Response From District Officials

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## Valley Stream UFSD Thirteen

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*Judith A. LaRocca, Ed.D.*  
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Office of the New York State Comptroller (OSC)  
Division of Local Government and School Accountability  
110 State Street  
Albany, NY 12236

Subject: Response to New York State Comptroller's Report of Disbursements (Report 2023M-178)

Dear Mr. McCracken,

The Valley Stream Union Free School District Thirteen is in receipt of the draft Disbursements Report of Examination issued by your office for July 1, 2021 – June 30, 2023. The District would like to thank your staff for their professionalism and courtesy in conducting their duties associated with this audit.

The District and Board of Education value the constructive insights provided by the OSC, recognizing them as opportunities for enhancing operations and governance. Moving forward, we commit to considering OSC's opinions on the Districts disbursements procedures as we make decisions that prioritize the best interest of our students, staff, families and community.

This response will center on the six recommendations outlined in the report, particularly those discussed during our November 2, 2023 exit interview. It will also serve as a foundation for formulating the District's Corrective Action Plan (CAP).

1. Audit Recommendation:  
Authorize the use of an electronic signature and develop a policy governing the use of electronic signatures.

District Response:

The District passed a resolution at the Board meeting held on December 19, 2023 authorizing the District Treasurer and any other necessary District officers to electronically sign checks on behalf of the District, such as by a machine or check-signer device. It has also been recommended to the District Policy Committee to develop a policy to govern the use of electronic signatures.

2. Audit Recommendation:  
Remove prior authorized check signers from bank records as soon as their appointed term is complete.



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District Response:

The district acknowledges the importance of maintaining accurate and up-to-date bank records. The current procedure for removing authorized check signers will be updated to make sure the bank has the correct information in a timely manner. The only person that can remove a signer from the bank is the treasurer. The process will be updated to make sure that within a week after the reorganization meeting in July or after any meeting that established a new authorized check signer, the Treasurer will submit the necessary paperwork with the bank to remove the previous check signer and the Assistant Superintendent for Business will follow up with the bank confirming the change. In addition, our current banking institution has informed me that they will make a change to their process to inquire annually if there are any changes to the authorized check signers.

3. Audit Recommendation:

Ensure the District's bank always has the current appointed check signers on record.

District Response:

The district acknowledges the importance of maintaining accurate and up-to-date bank records. The current procedure for adding authorized check signers will be updated to make sure the bank has the correct information in a timely manner. The only person that can add a signer from the bank is the treasurer. The process will be updated to make sure that within a week after the reorganization meeting in July, or after any meeting that established a new authorized check signer, the Treasurer will submit the necessary paperwork with the bank to add the additional check signer and the Assistant Superintendent for Business will follow up with the bank confirming the change. In addition, our current banking institution has informed me that they will make a change to their process to inquire annually if there are any changes to the authorized check signers.

4. Audit Recommendation:

Ensure alternate check signers sign checks when the Treasurer is absent.

District Response:

Ensuring alternate check signers sign checks when the Treasurer is absent or unavailable is indeed crucial for maintaining financial accountability and continuity. The initiation of the procedure allowing the treasurer to remotely sign checks commenced during the COVID-19 pandemic, necessitated by the need to minimize face-to-face interactions among staff members. Subsequently, this protocol persisted under specific circumstances, such as when the treasurer was unavailable to physically attend the district or when payroll processing would not be complete by the time the treasurer arrived. Nonetheless, the district is committed to instituting a formalized procedure to guarantee the availability of an alternate signer in instances where the Treasurer is unavailable to fulfill check signing duties.

5. Audit Recommendation:

Maintain custody of the flash drive with his electronic signature and supervise its use.

District Response:

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Ensuring custody of the flash drive containing the electronic signature and overseeing its usage is pivotal for maintaining the security and reliability of our electronic signature process. During the implementation of remote check signing, the flash drive needed to be readily available to facilitate the Treasurer's access to the accounts payable clerk's computer. This step involved the Treasurer inputting his exclusive password, known only to him, enabling remote check processing. The process maintains security as only the accounts payable clerk possesses access to their computer password, while only the Treasurer holds the password to the flash drive. Nevertheless, the district remains steadfast in its commitment to instituting robust measures to safeguard sensitive information and thwart unauthorized access. As part of these efforts, the Treasurer will be mandated to retain custody of their flash drive, further reinforcing our dedication to maintaining the integrity of our financial procedures.

6. Audit Recommendation

Maintain a log of the date of each check run that he signs checks, and the first and last number of the checks run, to ensure that all checks are accounted for and none were misused or printed without his knowledge.

District Response:

Maintaining a log of the date of each check run, along with the first and last number of the checks issued, is indeed an effective measure for ensuring accountability and preventing any potential misuse or unauthorized printing of checks. This practice will be incorporated into our procedures to further enhance transparency and oversight in our check issuance process.

If you require additional information please do not hesitate to contact me at 516-568-6116.

Sincerely,

Gerard Antoine  
Assistant Superintendent for Business & Human Resources

## Appendix B: Audit Methodology and Standards

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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 Board members, the Assistant Superintendent, the Treasurer, the District Clerk and the AP clerk, and reviewed the policy manual and Board minutes to gain an understanding of the check signing process.
- Compared the check run schedules prepared by the Treasurer, AP clerk and payroll clerk for the 2021-22 and 2022-23 fiscal years to the District's financial software check run dates between July 1, 2021 and June 30, 2023 to determine whether the check run dates agreed, and investigated any discrepancy identified.
- Used the District's disbursements for the audit period to identify our population of all disbursements from the general fund (1,792 checks printed on 26 check runs in 2021-22 and 1,829 checks printed on 26 check runs in 2022-23).
- Used a spreadsheet formula to randomly select four disbursements from each check run. One check run had only one disbursement, which we included to make our total sample size 205 checks.
- Requested and reviewed claim packets, canceled check images and warrants for the 205 checks to determine whether disbursements were for District purposes and checks were issued sequentially.
- Reviewed the 205 check images to determine whether the signature on each check was a Board-authorized signer.
- Requested and reviewed copies of emailed warrants sent by the AP clerk to the Treasurer, and compared email dates to disbursement dates, to determine the dates that the Treasurer logged in remotely to sign checks.
- Requested explanations and supporting documentation from the Assistant Superintendent, Treasurer and AP clerk to clarify any discrepancies and inconsistencies identified and verify the District purpose for 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.

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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

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### **Regional Office Directory**

[www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf](http://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](http://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](http://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](http://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](http://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

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**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](http://www.osc.ny.gov/local-government/required-reporting)

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

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## Contact

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