



Riverhead Central School District

Financial Operations

2025M-64 | December 2025

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Audit Results

Riverhead Central School District



Audit Objective

Audit Period

Did the Riverhead Central School District (District) Board members (Board) receive complete and accurate financial information in a timely manner to enable them to monitor financial operations?

July 1, 2022 – April 30, 2024

Understanding the Audit Area

The Board and District officials are responsible for developing policies and procedures to ensure the Board receives sufficient information to monitor the District's financial operations. The Assistant Superintendent for Business (Assistant Superintendent) oversees the operations of the Business Office, which includes overseeing accounting and reporting. The Treasurer, as the custodian of District funds, is responsible for signing checks, making electronic payments and transfers and submitting reports to the Board.

The District had \$167.7 million in general fund expenditures for the 2022-23 fiscal year.

Audit Summary

District officials did not provide the Board with complete and accurate information in a timely manner to enable them to monitor the District's financial operations.

- Reports to the Board were not always accurate, complete and submitted in a timely manner. Financial reports submitted in six of the 22 months to the Board were between 60 and 107 days after month's end. For example, the July 2022 reports were provided to the Board at the November 2022 meeting, three months later.
- While all 141 bank transfers totaling \$127 million we reviewed were between District bank accounts, none of the transfers were reviewed and approved by someone other than the Treasurer prior to the transaction taking place. This occurred because the Treasurer's duties were not properly segregated, compensating controls were not established and the Treasurer's work was not reviewed.
- Budget transfers were not properly approved or reported to the Board. None of the 47 budget transfers totaling \$12.3 million we reviewed were approved by the Board.

When the Board is not provided with sufficient information, and financial reports are not accurate, complete and submitted in a timely manner, the Board's ability to adequately and effectively monitor the District's financial operations is limited.

The report includes eight recommendations that, if implemented, will improve the District's oversight of financial operations. District officials generally agreed with our recommendations, and their response is included in Appendix B.

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 the New York State General Municipal Law, Section 2116-a (3)(c) of the 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.

Financial Operations: Findings and Recommendations

District policy requires the Treasurer to submit monthly cash reconciliation, budget status and budget transfer reports to the Board so they can monitor the District's financial operations. District officials are responsible for overseeing the Treasurer's duties. District officials should establish procedures to provide reasonable assurance that cash and other resources are properly safeguarded, and to ensure financial transactions are supported, authorized, recorded and reported accurately to the Board.

District officials should segregate duties so that no one individual controls all phases of a transaction. When it is not practical to segregate duties, district officials should institute compensating controls, such as establishing procedures to periodically review bank statements and reconciliations, and accounting records to ensure they are up to date, complete and accurate.

More details on the criteria used in this report, as well as resources/publications we make available to District officials that can help officials improve operations (Figure 2), are included in Appendix A.

Finding 1 – The Treasurer's monthly reports were not always accurate, complete and submitted in a timely manner.

The Treasurer's reports were not always accurate, complete and submitted in a timely manner to the Board. The Treasurer's monthly reports generally included a bank cash report, a revenue status report, an appropriation status report, a budget transfer report and the check register. Although one of the former Treasurers stated that a register tape attached to the bank statement was the bank reconciliation, during most of the audit period a formal bank reconciliation was not prepared.¹ We reviewed Board meeting minutes and agendas for the 22 months in the audit period to determine what types of reports and when they were provided. We determined:

- Six out of 22 months of financial reports were submitted to the Board between 60 and 107 days after month's end. For example, the July 2022 reports were provided to the Board at the November 2022 meeting, three months later.
- For 22 months, the workers' compensation bank account activity was not reported to the Board. The extra-classroom fund's bank account activity was not reported to the Board for six months.
- For seven months from October 2023 through April 2024, budget transfer reports were not provided to the Board.
- Budget status reports were generally provided to the Board, but they were not detailed. The reports listed the budget amounts by the function code, which provides department totals, but did not provide sufficient details. For example, the budget status reports for fiscal year 2022-23 included a function code budget line item for "Teaching Regular School" with an initial

¹ The new District Treasurer as of April 2024 prepared a formal bank reconciliation.

appropriation of \$51 million, but no further detail. A more detailed report could show additional information such as how much of this was salary, overtime, equipment or contractual expenditure.

In addition, the bank activity reports that were provided to the Board were not accurate. We compared the bank balance from the bank statements to the bank balance reported on the Treasurer's report for the audit period and determined the following discrepancies:

- The November 2023 month end balance on the federal fund bank statement was \$104,330, but the Treasurer reported \$620,602. The book balance of the account was overdrawn as of November 30, 2023.
- The December 2023 month end balance on the investment account bank statement was \$5,979,618, but the Treasurer reported \$5,990,482, a difference of \$10,864. Interest earned per the bank statement was \$26,771, but the Treasurer reported \$37,635. We reviewed journal entries and determined the interest was recorded correctly in the general ledger.
- The March 2024 month end balance on the library account bank statement was \$1,135,487, but the Treasurer reported \$10,973, a difference of \$1,124,514. The difference was due to an outstanding check that did not clear the bank until the following month. The Treasurer reported \$0 in outstanding checks on the March Treasurer's report.

Further, while reviewing the Treasurer's report, we determined total incoming transfers did not always equal total outgoing transfers. Incoming bank transfers should equal outgoing bank transfers. Therefore, we compared six months of bank transfers from bank statements to amounts reported on the Treasurer's report. Bank transfers totaled \$126.9 million for the six months; however, the Treasurer reported \$129.4 million in incoming transfers and \$118.7 million in outgoing transfers (Figure 1).

Figure 1: Total Bank Transfers Between District Bank Accounts and Amounts Reported on the Treasurer's Monthly Reports

Month	Bank Transfers Per Bank Statement	Treasurer's Report Incoming (Deposits)	Treasurer's Outgoing (Disbursements)
July 2022	\$15,341,555	\$15,160,808	\$15,160,808
August 2022	21,015,840	20,929,205	20,939,405
September 2022	14,284,497	14,226,947	14,514,833
September 2023	23,700,343	25,593,592	19,058,626
October 2023	28,277,122	28,498,862	24,776,141
November 2023	24,323,338	24,956,443	24,236,416
Totals	\$126,942,695	\$129,365,857	\$118,686,229

As seen in Figure 1, the Treasurer did not report transfers accurately on the monthly cash reconciliation report to the Board. Some of the differences were the result of the Treasurer not including the workers' compensation bank account on the report. For example, in July 2022, transfers into the workers' compensation account totaled \$180,747, which is the difference between the bank and the report.

However, in the other five months reviewed, we determined additional discrepancies between the records and the Treasurer's report. For example:

- In September 2023, approximately \$4.4 million was transferred from the money market account into the payroll bank account. The Treasurer's report showed the \$4.4 million disbursed from the one account, but \$6.5 million deposited into the payroll bank account. The Treasurer used the total deposits and credits from the bank statement instead of the actual amounts recorded in the general ledger. In addition, although the Treasurer reported the correct amount for transfers out, he reported it as disbursements related to payroll rather than on the transfer to payroll account line.
- In November 2023, there were two transfers totaling \$4.2 million from the money market account into the general fund checking account. The Treasurer's report showed the \$4.2 million transferred from the money market account, but \$4.4 million transferred into the checking account. Had the transfer been reported accurately, the report would have shown the deficit book balance in the checking account. To reconcile the account, the Treasurer reduced the outstanding check amount by \$200,000.
- Also, in November 2023 there were two transfers totaling \$328,000 from a money market account into the special aid account. The Treasurer reported \$328,000 transferred out of the money market, but \$844,000 transferred into the other account. Had the transfer in been reported accurately, the report would have shown the deficit book balance in the special aid account. To reconcile the account, the Treasurer increased the bank balance by \$516,000. However, the transfer into this account for \$516,000 was made the following month.

Because no one reviewed the Treasurers' work, errors and irregularities occurred and reports to the Board were not accurate, complete and submitted in a timely manner. When financial reports are not accurate, complete and submitted in a timely manner, the Board's ability to adequately and effectively monitor and manage the District's financial resources is limited.

Recommendations

The Treasurer should:

1. Submit complete and accurate monthly financial reports to the Board in a timely manner.
2. Perform formal bank reconciliations.

The Assistant Superintendent should:

3. Monitor and review the Treasurer's reconciliations and reports.

Finding 2 – The Treasurer’s duties were not segregated and there were no adequate compensating controls.

The Treasurer, as the custodian of District funds, is responsible for signing checks and making electronic payments and transfers. In addition, the Treasurer prepares and records journal entries, enters budget transfers, performs bank reconciliations and provides financial reports to the Board. There were no procedures in place to authorize and approve bank transfers or electronic payments prior to the transaction taking place. In addition, bank reconciliations were not reviewed. Because the Treasurer had control over all aspects of financial transactions and reports to the Board without adequate compensating controls, there was an increased risk that errors or irregularities could occur and go undetected.

Bank Transfers – We reviewed bank transfers and electronic payments from July 2022 through September 2022 and September 2023 through November 2023 to determine whether bank transfers were only between District bank accounts and electronic payments were for appropriate District purposes. We determined the Treasurer transferred funds between the District’s bank accounts using the bank’s online portal. However, transfers were not reviewed or authorized.

We reviewed bank statements for 17 accounts, of which 13 accounts had transfer activity. We reviewed the records to determine whether transfers were made only between District bank accounts and were approved and supported. All 141 bank transfers totaling \$127 million were between District bank accounts. However, none of the transfers were reviewed and approved prior to transferring money. Eighty-one transfers totaling \$58 million had additional issues,² including:

- 58 transfers totaling \$50.9 million did not have evidence of the claims auditor’s review, as required by District procedure,
- 38 transfers totaling \$37.4 million did not have transfer forms attached,
- 24 transfers totaling \$30.7 million did not have bank confirmations attached, and
- 18 transfers totaling \$30.4 million were not recorded as a journal entry in the financial software.

Because funds transferred electronically typically involve significant amounts of money, it is essential that District officials have adequate procedures to provide authorization before transfers are initiated to help prevent unauthorized or inaccurate transfers from occurring. In addition, bank transfers are often captured manually using journal entries. Therefore, without appropriate oversight of the Treasurer, there is an increased risk that errors can occur, such as overdrawing bank accounts or recording incorrect information.

Electronic Payments – The Treasurer makes electronic payments for debt payments, postage replenishment and payroll related transactions such as federal and state taxes and employee benefits. Most electronic payments are listed on a warrant (list of claims) and are audited by the claims auditor.

² Some transfers had more than one deficiency.

If a payment is not on a warrant, the Treasurer will record the payment by journal entry. The Treasurer generally uses the same form as the bank transfer form and indicates which account the payment will be made from and the name of the vendor the payment is going to. The Treasurer makes the payment online using the bank portal and prints the bank confirmation page.

We reviewed 92 electronic payments and supporting documentation totaling \$24.1 million. While the electronic payments reviewed were for appropriate District purposes, we identified:

- The Treasurer was not consistent with using the bank transfer forms and did not prepare one for 12 payments totaling \$4.8 million.
- Bank confirmation sheets were not attached for eight electronic payments totaling \$3.7 million.
- Three electronic payments totaling \$354,633 were not audited by the claims auditor, of which two payments were for postage replenishment and one for employee benefits.
- Two electronic payments totaling \$790,538 for employee benefits were sent twice. The initial payments were returned because of errors in making the payments, and the payments were reissued. However, the Treasurer at the time did not record the return and reissue of the payments. The current Treasurer explained that the initial payments were returned because one payment was sent prior to the District's account being set-up, and the other payment was sent using the wrong electronic payment method. These errors may have been prevented had the transaction been reviewed prior to funds being disbursed.

Because the Treasurer has control over all aspects of financial transactions, there is an increased risk that fraudulent activities, such as unauthorized payments or misappropriation of funds, could go undetected. Not segregating duties increases the risk that one person could both commit a wrongdoing and then conceal it.

Recommendations

The Board and Superintendent should:

4. Develop policies and procedures for day-to-day financial operations including electronic transfers and payments. Ensure electronic payments and transfers are properly reviewed and approved.

The Assistant Superintendent should:

5. Segregate the Treasurer's duties or provide greater oversight by establishing compensating controls to routinely monitor and review the Treasurer's work.
6. Ensure electronic payments are audited by the claims auditor.

Finding 3 – Budget transfers were not properly approved and reported.

Board policy requires the Treasurer to provide monthly budget transfer reports. However, these reports were not provided to the Board from October 2023 to April 2024. In addition, budget transfers were not properly approved. Board policy requires the Superintendent to approve budget transfers under \$25,000 and the Board to approve transfers over \$25,000 prior to transfer. However, we determined the District is not in compliance with its policy. We reviewed budget transfer records for the period when the Board did not receive the reports. The Treasurer used a budget transfer form to record transfers between codes, which required the signature of the requestor, department supervisor, Assistant Superintendent and Superintendent. There was also an area to indicate the date the form was submitted to the Board.

From October 2023 to April 2024, the District had a total of 242 transfers totaling \$13.4 million of which 195 transfers totaling \$1.1 million were under \$25,000, and 47 transfers totaling \$12.3 million were over \$25,000. We reviewed all transfers that were over \$25,000, and none of the transfers were approved by the Board. Budget transfer forms were not completed for 17 of the 47 transfers totaling \$6.4 million. The remaining 30 transfers were not approved by the Superintendent, but were generally signed by the Assistant Superintendent. The interim Assistant Superintendent told us that their budget transfer policy and procedures need to be updated.

As a result, budget transfers are not properly approved and the Board was not informed of budget transfers, and the reasons for the transfers. Therefore, the Board is not given an opportunity to ask questions and provide input on these budgetary decisions.

Recommendations

The Treasurer should:

7. Provide the Board with monthly budget transfer reports.

The Assistant Superintendent should:

8. Ensure District officials are compliant with Board policy for budget transfers.

Appendix A: Profile, Criteria and Resources

Profile

The District is located in Suffolk County and provides educational services to students from the Towns of Riverhead, Southampton and Brookhaven. The District is governed by an elected seven-member Board that is responsible for managing and controlling the District's financial and educational affairs.

The Superintendent is the District's chief executive officer and is responsible for the District's day-to-day management, while the Assistant Superintendent oversees the operations of the Business Office, which includes overseeing accounting and reporting. The Treasurer is required to keep the Board informed of the District's financial status through monthly cash reconciliations, budget status reports and annual fiscal reports. The District experienced significant turnover among administrators and key staff prior to and during the audit period. During the audit period, there were three Superintendents, two Assistant Superintendents and three District Treasurers.

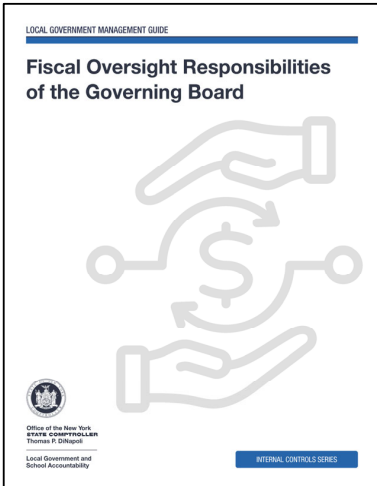
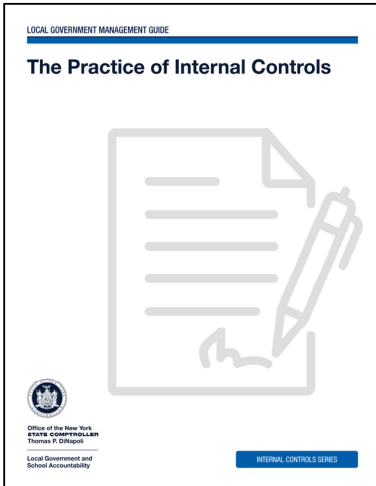
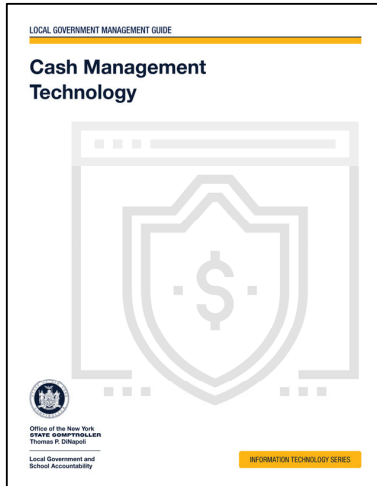
Criteria – Financial Operations

A board and district officials are responsible for creating policies and procedures to ensure services are provided effectively and assets are safeguarded. Segregating duties prevents one person from having access to assets and responsibility for maintaining accountability or authorizing transactions affecting those assets. When it is neither practical nor cost-effective to segregate duties, a board should implement compensating controls such as supervisory or other oversight procedures designed to reduce the risk of errors or not detecting fraud. Electronic payments should not circumvent laws, regulations or a district's internal control policies. A board can authorize payment in advance for postage; however, these claims should be audited as soon as possible after payment and included on the next warrant as prepaid amounts.

It is essential that a board receive accurate reports in a timely manner to enable it to monitor financial operations and exercise proper fiscal oversight. District policy requires the Treasurer to render a monthly report for each fund showing the cash balance on hand at the beginning of the month, receipts and disbursements during the month, and the cash balance at the end of the month, along with bank reconciliations. Budget status reports to a board should include the function and object code. The District's Board Policy 6150 requires the Superintendent to approve budget transfers up to \$25,000 and report it to the Board and budget transfers over \$25,000 must be approved by the Board prior to transfer of funds. The Treasurer is required to report all budget transfers to the Board monthly.

Figure 2: OSC Publications

OSC *Local Government Management Guides* are available on our website to help officials understand and perform their responsibilities.

<i>Fiscal Oversight Responsibilities of the Governing Board</i>	<i>The Practice of Internal Controls</i>	<i>Cash Management Technology</i>
 <p>https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf</p>	 <p>https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf</p>	 <p>https://www.osc.ny.gov/files/local-government/publications/pdf/cash-management-technology.pdf</p>

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

Appendix B: Response From District Officials

RIVERHEAD CENTRAL SCHOOL DISTRICT

814 Harrison Avenue
Riverhead, NY 11901
www.riverhead.net

Robert M. Hagan, Ed.D.
Superintendent of Schools
(631) 369-6717



Marianne F. Cartisano, Ed.D.
Interim Assistant Superintendent for Business
(631) 369-6708

November 19, 2025

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

Hauppauge Regional Office
New York State Office Building
250 Veterans Memorial Highway, Room 3A10
Hauppauge, New York 11788

Re: Financial Operations – Report of Examination
#2025M-64 Month 2025

Dear NYS Comptroller Representatives:

The Riverhead Central School District is in receipt of the New York State Comptrollers report #2025M-64 and appreciates the opportunity to partner with you to improve the internal controls of the Business Office, as well as the financial operations of the school district. We found the audit review process to be a collaborative effort with a thorough review of our financial operations and governance practices.

Please allow this correspondence to serve as the initial response from the school district to the above referenced report for the period of July 1, 2022 through April 30, 2024, which was provided to the school district on October 21, 2025.

The Board of Education has reviewed the report and our assessment is the findings and recommendations appear to be accurate. The Board is in the process of preparing a formal written Corrective Action Plan in response to the recommendations noted in the report. This report will be filed with the Office of State Comptroller, the New York State Education Department, and will be available to our school community.

Respectfully submitted,

James Scudder
President, Board of Education

Robert M. Hagan, Ed.D.
Superintendent of Schools

Riverhead High School · Riverhead Middle School · Pulaski Street Elementary School · Aquebogue Elementary School
Phillips Avenue Elementary School · Riley Avenue Elementary School · Roanoke Avenue Elementary School

Appendix C: Audit Methodology and Standards

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 to gain an understanding of procedures over financial operations and to determine whether the Board adequately segregated the Treasurer's duties.
- We reviewed Board meeting minutes and agendas to obtain the Treasurer's monthly reports and determine when they were provided to the Board.
- We used our professional judgement to select six months, three from each fiscal year during the audit period (July 2022 through September 2022 and September 2023 through November 2023) to review bank records and the Treasurer's monthly reports to determine whether the Board received accurate monthly financial reports in a timely manner, and if all transfers were for District purposes, properly documented and approved.
- We performed bank reconciliations for 13 out of 17 District bank accounts for three months (September 2023 through November 2023) due to discrepancies noted in the Treasurer's reports.
- We reviewed budget transfer forms and reports for seven months (October 2023 through April 2024) during the audit period to determine whether budget transfers were properly documented and approved. We selected these months because reports were not provided to the Board during this period.

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 objectives. 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 relevant population size and the sample selected for examination.

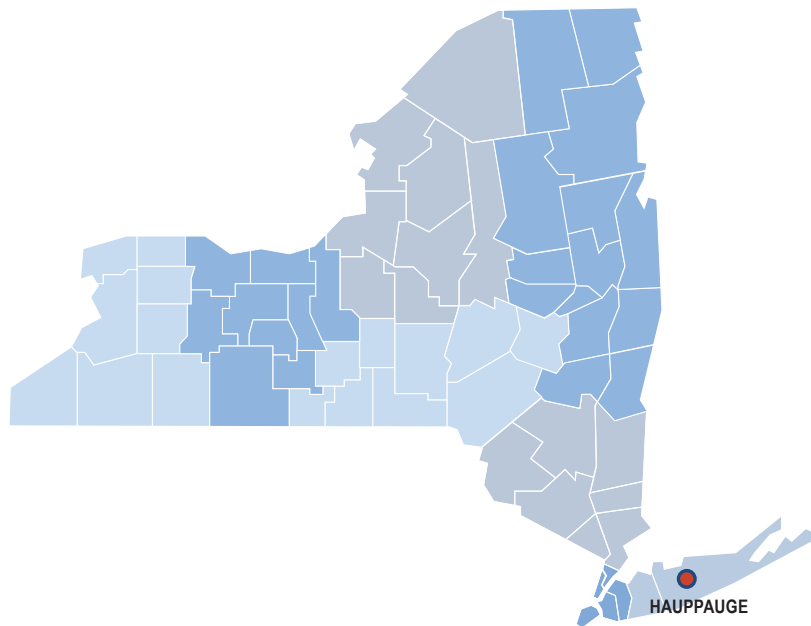
Contact

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