



Primary Hall Preparatory Charter School

Debit Cards

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Report Highlights

Primary Hall Preparatory Charter School

Audit Objective

Determine whether the Primary Hall Preparatory Charter School (School) debit card charges were properly approved, adequately supported and for School purposes.

Key Findings

Certain debit card purchases were not properly approved or adequately supported and lacked documentation to demonstrate that the charges were for a valid School purpose.

Debit cards pose significant risks because individuals using them have direct access to a school's bank account and unauthorized use may not be readily detected.

We reviewed 186 debit card purchases totaling \$170,941; 138 totaling \$130,295 were not properly approved or adequately supported and 76 totaling \$39,398 lacked documentation to demonstrate that the charges were for a valid School purpose.

In addition, none of the 186 purchases had evidence of preapproval by the Executive Director or the Board Treasurer as required by the School's policy.

When debit card purchases are not preapproved or supported, it could result in inappropriate or fraudulent charges or unauthorized purchases being made and undetected.

Key Recommendations

The audit report includes nine recommendations that, if implemented, will improve the School's financial practices related to the use of debit cards. School officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

Audit Period

July 1, 2022 – September 30, 2024

Background

The School, which opened in Fall 2021, is in the City of Buffalo and is governed by a seven-member Board. The Board is responsible for the oversight of the School's financial and educational affairs.

The Executive Director is the School's chief executive officer and is responsible for the School's day-to-day management. The Executive Director is responsible for approving School purchases. The Director of Operations and Executive Director are responsible for ensuring each purchase is adequately supported and for a valid School purpose.

The former Director of Operations served from July 2022 through August 2023. The Director of Operations position was vacant from August 2023 until July 2024. During that time the Executive Director and the School Clerk performed the Director of Operations' responsibilities.

The School had one debit card issued to the Executive Director. The debit card was used by officials to purchase school, office and building maintenance supplies; food; computers; projectors and student and staff event-related items, among other purchases.

Quick Facts

Debit Card Activity from July 1, 2022 through June 30, 2024

Total Purchases	785
Total Purchase Amount	\$246,857
Purchases Reviewed	186
Amount Reviewed	\$170,941

Debit Cards

What Are Properly Approved and Adequately Supported Debit Card Charges?

Debit cards pose significant risks because individuals using them have direct access to a school's bank account and unauthorized use may not be readily detected. Unlike a credit card, where a statement is received and the purchase can be examined before payment is made, using a debit card allows a payment to be directly withdrawn from a school's bank account at the time of purchase before approval is authorized and provides no opportunity for school officials to determine whether the purchase is for a legitimate purpose before it is paid.

Due to such risks, a board should consider not using debit cards. However, if the board intends to use debit cards, it is essential that the board establish and adopt a written debit card policy that addresses the types of purchases allowed and specific circumstances under which debit cards may be used. The policy should provide guidance for the documentation required to support each purchase such as itemized invoices or receipts, packing slips or proof of receipt, and documentation for the reason or purpose for the purchase and who incurred the expense (e.g., if food was supplied at a meeting, indicate who attended). The policy should require written preapproval for debit card purchases which defines acceptable spending limits or the cost of each specific item and the vendor.

The School did not have a policy specifically governing the use of debit cards. The Board adopted a Financial Policy and Procedures (Policy) which included procedures applicable to purchases that requires:

- Email or written approval from the Executive Director or Board Treasurer for all purchases.
- Itemized receipts and sufficient supporting documentation for all purchases.
- The Director of Operations to ensure all vendors have a sales tax exemption letter and that all invoices have sales tax removed.

Debit cards should only be used for valid school purposes and be supported by enough documentation, such as itemized receipts or invoices, to demonstrate that the charge is for a proper school purpose. A proper school purpose is a purchase which furthers the School's objective. According to the School's bylaws, the School's purpose is to establish and operate a charter school to ensure academic success for students in grades kindergarten through fifth grade and prepare the students for academic and personal success in middle school, high school and college.

Debit Card Purchases Were Not Adequately Supported or Properly Approved

We reviewed a sample¹ of 186 debit card purchases totaling \$170,941 and determined that 138 purchases totaling \$130,295 were missing sufficient supporting documentation, such as itemized invoices or receipts. In addition, none of the 186 purchases had evidence of preapproval by the Executive Director or the Board Treasurer as required by the Policy.

After we reviewed these purchases with the Executive Director, she provided itemized invoices or receipts for 47 purchases totaling \$42,668. For the remaining 91 purchases, 15 purchases totaling

¹ Refer to Appendix B for further information on our sample selection.

\$6,220 were missing invoices or receipts and 76 purchases totaling \$81,407 only had non-itemized invoices or receipts. In addition, School officials paid a total of \$2,493 in sales tax for the purchases in our sample. For example:

- Our sample included 18 online vendor purchases made by the former Director of Operations totaling \$24,113. Itemized invoices and receipts were not retained for 17 of these purchases totaling \$23,618. All purchases should be supported by original itemized invoices.
 - For 16 purchases totaling \$22,996 insufficient supporting documentation was retained.
 - For one purchase totaling \$622 no invoice or receipt was retained and therefore we could not determine what items were purchased.
 - After we reviewed these purchases with the Executive Director, she was able to provide an itemized invoice for one additional purchase totaling \$2,490.
 - For the one purchase totaling \$495 that had an itemized invoice, the former Director of Operations ordered and had school and office supplies and student reward items (e.g., stickers, erasers and other small prizes) delivered to her home address. The Executive Director was unsure why items were delivered to the former Director of Operations home and was unable to determine whether these items were brought to the School.
- One purchase for paper, office supplies and coffee supplies totaling \$4,954 had an online shopping cart screen shot as supporting documentation, which is not sufficient as an itemized invoice or receipt because it is not proof of the goods or services purchased and received. The items purchased were consumable; therefore, we were unable to verify whether the items were located at the School.
- Six technology vendor purchases totaling \$3,014 were missing an invoice or a receipt. The Executive Director told us the purchases were for two laptops which included charges for technical support. However, the documentation she provided did not have the quantity or price. The documentation included just the order number and the dates of the order and delivery.
- One lighting fixture purchase for \$1,664 had only an order summary; no proof of receipt was retained. However, we observed and verified that the fixture was installed in the School. In addition, this purchase included \$134 in sales tax.
- Two travel-related purchases totaling \$1,044 that included one airfare and one hotel stay did not have itemized invoices and/or receipts. The Executive Director stated the airfare (\$134) was incurred by a School official traveling to a conference as part of their official duties. However, an itemized invoice or receipt was not retained and there was no evidence that the official's supervisor or Board approved the travel. The Executive Director also told us the hotel stay (\$910) was for the former Director of Operations' lodging expenses incurred while she was attending a two-day conference on behalf of the School. However, no invoice, approval or documentation of the need for travel was retained. When we discussed missing supporting documentation with the Executive Director, she accessed the former Director of Operation's email and obtained the itemized invoice for the hotel stay which included \$112 in taxes and fees.

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- One purchase which included décor, a throw blanket, a chair and an ottoman, totaling \$784 did not have an invoice or receipt. Screenshots of an order confirmation was retained but proof of receipt was not retained. The Executive Director said that these items are all located and being used in the School. In addition, this purchase included \$63 in sales tax.

To make a purchase using the debit card, School officials obtained the debit card from the School Clerk prior to making a purchase. However, employees were not required to provide evidence to the School Clerk that the purchase was preapproved to obtain the card and were not required to provide itemized invoices or receipts when they returned the debit card. In addition, the Policy did not specifically address the use of debit cards, only credit cards which the School did not use.

The Executive Director told us that she provided verbal approval or text message/email approval for debit card use and purchases, but documentation of these approvals was not retained. Regardless, verbal approval should have been documented as soon as possible after the purchase was incurred and include details such as the need for the purchase and the maximum amount to be spent. For example, the Executive Director told us she verbally approved the former Director of Operations request to refurbish the School's bathrooms and stock with supplies, as part of making the building operational. However, she did not approve the specific items that were purchased, the vendor used, the cost of each item or set a maximum spending limit on the bathroom redecoration project. In addition, the former Director of Operations and the Executive Director did not review invoices to ensure all vendors had a sales tax exemption letter or request the sales tax be removed from the invoice as required by the Policy.

By not requiring written prior approval or itemized invoices or receipts, there is a greater opportunity that the debit card could be used improperly and wasteful or fraudulent spending could occur.

School Officials Could Not Demonstrate Purchases Were for School Purposes

For the same sample² of 186 debit card purchases totaling \$170,941, we reviewed 97 purchases totaling \$57,661 for which the Executive Director did not retain sufficient information to demonstrate the necessity of or the School-related purpose of the purchase. While the Executive Director was able to provide additional supporting documentation and an explanation for 21 purchases, totaling \$18,264, she could not provide sufficient documentation for 76 purchases totaling \$39,398. However, the Executive Director stated that the items purchased were in use and located on School premises.

Of these 76 purchases, 41 purchases totaling \$18,259 were made at grocery stores and restaurants, and for gifts and events that included purchases of food and supplies for various staff events, for which the educational purpose was unclear. For example, three purchases totaling \$1,869 were for food, supplies and payment for a venue for two staff holiday parties, and one massage therapist purchase for \$891 which was for "desk massages" for staff and included a \$136 gratuity.

The Executive Director told us the purpose of these events were for teacher appreciation and to retain staff. However, there was nothing in the School's charter, bylaws or policies to address these types of

² Refer to Appendix B for further information on our sample selection.

discretionary purchases such as food, gifts or non-School-related staff events, or the circumstances in which these types of purchases are appropriate and the forms of documentation which will be maintained.

Without sufficient guidance to help limit and control these types of discretionary expenses, there is an increased risk that inappropriate, fraudulent and wasteful spending may occur. Because debit card charges are directly withdrawn from the School's bank account at time of purchase, School officials may not have time to identify and recover inappropriate, fraudulent or wasteful spending.

What Do We Recommend?

The Board should:

1. Consider eliminating the use of debit cards.
2. If the use of a debit card continues, adopt a written policy to include:
 - The types of purchases debit cards will be used for,
 - The circumstances under which debit cards will be used,
 - Procedures for monitoring debit card use, including written prior approval of each purchase including the vendor, items to be purchased and estimated price,
 - The required supporting documentation to be retained for each purchase such as itemized invoices or receipts, the method for documenting the purpose, who approved the expense and who incurred the expense,
 - Information on why and how to avoid paying sales tax and guidance for cardholders on how to seek reimbursement when this expense is accidentally incurred, and
 - The process for reconciling bank statements and debit card charges, which should include ensuring that purchases were preapproved; that charges match the invoices, receipts and supporting documentation; and that charges were for a proper School purpose.
3. Ensure that the Executive Director and Director of Operations comply with the Policy including retaining itemized receipts and sufficient supporting documentation to substantiate the appropriateness and purpose of the debit card charges.
4. Establish written policies and procedures regarding purchases for food, gifts, staff events and other discretionary expenses that describe the circumstances under which these types of purchases are appropriate and the forms of documentation that must be retained.

The Executive Director should:

5. Preapprove all debit card purchases and retain documentation of this approval including the details describing the need for the purchase, the maximum amount to be spent and the vendor to be used.

The Executive Director and the Director of Operations should:

6. Familiarize themselves with the requirements of the School's Policy.
7. Ensure itemized receipts or invoices are provided for each purchase, review all supporting documentation to ensure compliance with the Policy and frequently review the bank statements for debit card purchases to ensure that they were approved, supported and for proper School purposes. The reviewer of debit card purchases should not be the same individual as the purchaser.

The Director of Operations should:

8. Review all purchases for sales tax charges and ensure the appropriate tax-exempt forms are provided to vendors.
9. Seek sales tax reimbursement from the New York State Department of Taxation and Finance, if possible.

Appendix A: Response From School Officials



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January 9, 2026

Melissa Myers
Chief of Municipal Audits
Division of Local Government and School Accountability

Melissa Myers:

Primary Hall Preparatory Charter School received the report of examination regarding debit card use between July 1, 2022, and September 30, 2024. We agree with the findings and appreciate the OSC's recommendations to improve our fiscal operations. During the time period that Primary Hall was audited, the organization was in its initial founding years. It was establishing new procedures, protocols, and practices across all aspects of operations and education. Below are the changes implemented that align with the recommendations outlined in the report:

- In July 2025, the organization eliminated debit card use for school purchases and shifted to credit cards.
- The Board of Trustees amended the fiscal policy to include the use of debit and credit cards. The Board of Trustees adopted this in November 2024.
- The Board of Trustees adopted a process for monthly review of purchases and reconciliation of bank statements.
- In January 2025, the organization established and began using a separate bank account for donations and fund development. This allows for clear and bright lines for purchases made for staff events, staff appreciation, school swag, and food purchases that benefit our school community.
- The organization retains copies of itemized receipts and supporting documentation for purchases and, whenever possible, ensures that sales tax is not applied by providing vendors with the appropriate tax-exempt forms.
- The organization implemented the following fiscal forms: Banking Account Review, Contract Approval, and Purchase Requisition for purchase approvals and internal review.
- The organization has a full Operations team, which allows for the review of purchases by individuals who were not the purchasers.

Adding the aforementioned practices has strengthened Primary Hall's operational position in support of our mission to achieve greater academic outcomes, expand access, and have a positive impact on our community.

Sincerely,

Arielle J. Peterson, Ed.D.
Founder & Executive Director

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 Section 2854 of the New York State Education Law, as amended by Chapter 56 of the Laws of 2014. 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 the Executive Director, School Clerk and Board members and reviewed the School's written policies, procedures, bylaws and Board meeting minutes to gain an understanding of the School's debit card processes and procedures.
- We used our professional judgment to select a sample of 186 purchases totaling \$170,941 including all debit card purchases over \$600, purchases from unusual vendors and restaurant/grocery purchases made on the same day as other purchases. We reviewed the sample to determine whether an itemized invoice or receipt was retained, sales tax was paid, prior approval for the purchase was obtained, the necessity of the purchase was documented and the purchase was for a proper School purpose.
- We reviewed the purchases with the Executive Director to determine the purpose of the items purchased and to obtain additional supporting documentation for purchases that were missing itemized invoices or receipts.
- We used our professional judgment to select a sample of ten debit card purchases which included 102 items and attempted to locate these items at the School. For items that were not located we discussed with the Executive Director to determine whether she was familiar with the purchases and whether they were for a School purpose. Our sample included purchases that lacked adequate supporting documentation, purchases for which the School purpose was unclear and could be for personal use, certain consumable items that may not be easily located and purchases that were delivered to the former Director of Operation's home address.
- To determine whether the Executive Director preapproved debit card purchases, we identified whether prior approval was documented and retained.
- To determine whether the Director of Operations reviewed invoices for sales tax we reviewed itemized invoices and receipts to identify whether sales tax was included.

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

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

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

Appendix C: Resources and Services

Regional Office Directory

www.osc.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

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