

The Academy Charter School

Credit Card Expenditures

SEPTEMBER 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
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Report Highlights

The Academy Charter School

Audit Objective

Determine whether the Board ensured that credit card charges were adequately supported and were for legitimate purposes.

Key Findings

- School officials did not comply with their written credit card procedures.
- 119 purchases totaling \$36,329 (of 641 credit card transactions tested, totaling \$216,882) had no receipts attached to the claims.
- 39 receipts in our test, totaling \$25,342, were not itemized to show the nature or purpose of the purchase.
- The Board approved 27 meal purchases, totaling \$5,790, for payment without adequate supporting documentation.

Key Recommendations

- Ensure officials are aware of credit card procedures, and monitor and enforce compliance.
- Ensure that all credit card charges are adequately supported and necessary before approving payments.
- Ensure that credit card users include a list of officials in attendance for meal expenditures along with itemized receipts and documentation of why the meal was necessary.

School officials generally agreed with our recommendations and indicated they have taken, or planned to take, corrective action.

Background

The Academy Charter School (School) is located in the Town of Hempstead in Nassau County. The oversight for School operations is provided by the Board of Trustees (Board) comprised of 10 members. The Board is responsible for the general management and control of the School's financial and educational affairs. The Executive Director (Director) is responsible, along with other administrative staff, for day-to-day management under the Board's direction.

Quick Facts

2018 Budgeted Expenses	\$18.9 million
2018 Non-Payroll Expenses	\$4.5 million
Credit Card Purchases During Audit Period	\$496,970
Sample Tested	\$216,882

Audit Period

July 1, 2017 – June 30, 2018

Credit Card Expenditures

How Should the Board Control Credit Card Purchases?

The board is responsible for overseeing financial activities and safeguarding resources. Appropriate oversight and monitoring includes establishing policies and procedures to help ensure that credit card transactions are authorized and adequately supported, and are actual and necessary expenditures before the board approves them for payment.

The School's written credit card procedures state that credit cards may be used where standard procurement methods are not feasible. The cardholder must explain the purpose of each transaction and provide a detailed receipt (not just a summary receipt) of each meal.

Credit Card Expenditures Did Not Comply With Procedures and Were Not Adequately Supported

School officials did not establish effective procedures that ensured credit card claims were properly supported and credit cards used appropriately. The School authorized the Operations Director, Executive Director, the two Business Managers and the Academic Director to use school credit cards.

School officials made credit card purchases totaling \$496,970 during the audit period. We reviewed 641 credit card transactions totaling \$216,882,¹ of which 119 transactions totaling \$36,329 (17 percent) were approved for payment without receipts to support the charge. Another 39 transactions totaling \$25,342 (12 percent) had receipts that were not itemized.

For example, a \$5,590 charge for furniture was approved for payment without an itemized invoice attached.² Four charges totaling \$1,576, paid to a party rental vendor and described only as "School Event," were approved without itemized invoices to indicate what was rented or for what purpose. Our findings also included the following:

Gift Cards – Five gift card purchases for approximately \$550 each at local pharmacies, totaling \$2,748, were approved for payment without a receipt and were not adequately supported. School officials documented the purpose as "Gift Card for Teacher Appreciation Award." In addition, there was no documentation attached to the claim showing that the Board authorized the award, and no list of individuals who would receive these gift cards. School officials told us the gift cards were distributed to teachers at the end of the school year to show appreciation for their hard work.

1 See Appendix B for detailed information on our sample selection process.

2 School officials later provided us with an itemized invoice.

Conference and Meal Expenditures – The School did not have adequate procedures to ensure that expenditures for conference registration, travel and meals were properly authorized and adequately supported. We reviewed 13 charges for conference and training registrations, totaling \$8,273, and none of the payments had documentation showing prior approval. Of 119 travel transactions in our test, totaling \$23,920, 43 transactions (40 percent) totaling \$7,645 were missing receipts. These included 13 lodging expenditures totaling \$3,278 and 16 air travel expenditures totaling \$1,861.

In addition, the District incurred a \$1,007 charge for a flight to Jamaica, which officials said was to recruit teachers. The trip was subsequently canceled and the refund placed in an airline travel bank for use within one year. School officials charged purchases to the same airline eight months later, but did not use this available credit. Subsequent to our fieldwork, officials provided a travel bank statement showing the \$1,007 credit was forfeited because it was not used.

None of the meal expenditures that we reviewed were supported with a list of officials in attendance for the meals. The Board approved 27 meal purchases, totaling \$5,790, for payment without adequate supporting documentation. These included 19 purchases totaling \$4,823 with receipts that were not itemized, and eight purchases totaling \$967 that had no receipts. For example, a School official charged one meal for \$1,476 and another for \$394 without submitting an itemized receipt, and documented the purpose of the meals as “group lunch.”

When credit card purchases are not supported with adequate documentation to document the purpose of the purchases, there is a lack of assurance that funds are expended for legitimate School purposes. As a result, the School could be paying more than necessary.

What Do We Recommend?

The Board should:

1. Ensure that officials know the credit card procedures, and monitor and enforce compliance.
2. Ensure that all credit card charges are adequately supported and necessary before approving payments.
3. Establish policies and procedures that provide guidelines for conference registration, travel and meal expenditures.

School officials should:

4. Ensure that sufficient supporting documentation is attached to each credit card bill that is submitted to the Board for approval.

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5. Ensure that credit card users include a list of individuals participating in meals, along with itemized receipts and documentation of the purpose of the meal expenditure.

Appendix A: Response From School Officials



Response and Corrective Action Plan from School Officials to 2019 State Audit Report

The Board of Trustees and school officials of The Academy Charter School work diligently to oversee financial activities and safeguard resources. We are continually updating our policies and procedures and enhancing internal controls to minimize any exceptions.

Since the audit period which ended June 30, 2018, the Board and school officials have done the following:

On October 31, 2018, the Board of Trustees passed a resolution imposing a monthly credit card spending limit of \$5,000.00 per card and require that all credit card purchases over \$500.00 be pre-approved by the Comptroller.

We closed the credit card accounts of the two business managers. Only members of the leadership team are permitted to have a credit card.

On July 22, 2019, we hired a Chief Financial Officer to oversee the Finance Department including helping to ensure that exceptions to credit card policies and procedures are minimized.

We have commenced another revision and update of the Accounting and Finance Procedures Manual to include enhancements in our internal controls, policies and procedures around credit card usage. Once completed, the updated manual will be given to all employees. All employees will sign acknowledging that they have received, read, understand and will be compliant with its content. The last update of the manual was completed in August 2018.

The leadership team will continue to approve credit card expenditures only after ascertaining that the transactions are authorized, adequately supported by detailed receipts and list all attendee where appropriate. Transactions will not be approved unless they are compliant with our policies and procedures. The use of a credit card will be suspended if transactions are not in compliance and remain so until transactions come into compliance.



We will ensure that all procurements, including conferences, go through our Operations Department and that credit cards are used where standard procurement methods are not feasible.

In reference to the \$1,007 travel credit that was noted in the audit as “forfeited”, when school officials became aware of the unused credit, we contacted the airline. The credit was reinstated and subsequently used by the Academy. It should be noted that these trips have been very successful and beneficial in hiring highly specialized faculty for the school. In fiscal year 2018, we hired a French/Spanish teacher and a Biology teacher from Jamaica. After fiscal year 2018, we have hired six more faculty members directly as a result of these trips. Equally significant is that we have experienced no attrition from this cohort of teachers. Nonetheless, we have been monitoring travel credits to make sure they are utilized timely and not forfeited.

Sincerely,

Donovan Henry

Chief Financial Officer

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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 Section 2854 of the New York State Education Law, as amended by Chapter 56 of the Laws of 2014. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed School officials to gain an understanding of internal controls over credit card purchases.
- We reviewed the School's written procedures related to credit card purchases.
- The District made credit card payments totaling \$496,970 during our audit period to credit card vendors. We selected the three months with the highest dollar totals for each of the five credit card users for a total of 15 individual credit card statements. This resulted in a sample of 641 credit card transactions totaling \$216,882.
- We reviewed the sample credit card transactions during our audit period to determine if the charges were adequately supported and complied with credit card policy.
- We followed up with School officials to obtain information on certain credit card expenditures and claims that were missing supporting documentation.
- We inquired with School officials to determine whether they have procedures for conference registration, travel and meal expenditures.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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 plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/pubs/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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

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