

# West Seneca Central School District

## Community Education

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**MARCH 2020**

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

# Contents

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- Report Highlights . . . . . 1**
  
- Community Education Program Fees . . . . . 2**
  - How Should the District Properly Account for Program Fees?. . . . . 2
  - The District Did Not Receive All Program Fees . . . . . 2
  - Enforcement Procedures for Overdue Accounts Were Inadequate . . . 3
  - What Do We Recommend? . . . . . 5
  
- Appendix A – Response From District Officials . . . . . 6**
  
- Appendix B – Audit Methodology and Standards . . . . . 9**
  
- Appendix C – Resources and Services . . . . . 11**

# Report Highlights

## West Seneca Central School District

### Audit Objective

Determine whether the Board and District officials provided adequate oversight to help ensure that community education program fees were properly accounted for.

### Key Findings

- District officials did not review or reconcile electronic payments with cash receipts records to verify that all amounts were collected and remitted to the District. As a result, the District did not initially receive more than \$5,500 in fees recorded as collected but not remitted by a vendor in January 2019. In January 2020, the vendor reimbursed the District for the lost revenue.
- The Board did not adopt written enforcement policies for overdue accounts and the Coordinator did not ensure all overdue accounts were invoiced in a timely manner.

### Key Recommendations

- Ensure written policies and procedures are in place for reconciling program fees, overseeing third-party vendors and for collecting unpaid before and after school program fees.
- Review and reconcile electronic payments collected by third-party vendors with cash receipts records.
- Invoice overdue accounts for unpaid before and after school program fees in a timely manner.

District officials agreed with our recommendations and indicated they planned to initiate corrective action.

### Background

The West Seneca Central School District (District) serves the Towns of West Seneca, Cheektowaga, Orchard Park and Hamburg in Erie County. The District is governed by an elected seven-member Board of Education (Board). The Superintendent of Schools is the chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management.

The Community Education Office (Department) operates the continuing education and before and after school programs. The continuing education program offers various continuing education classes and the before and after school program provides educational based day care to District students.

The Department Coordinator (Coordinator) oversees both programs and supervises Department personnel.

#### Quick Facts

Before and After School Program	
2018-19 Revenue	\$574,000
January 2019 Enrollment	305
Continuing Education Classes	
2018-19 Revenue	\$187,000
Winter 2019 Classes Offered	100

### Audit Period

July 1, 2018 – November 18, 2019

# Community Education Program Fees

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Continuing education and the before and after school program fees can be paid online electronically or in-person at the Department. All electronic payments are made to third-party vendors who are responsible for submitting those fees to the District.<sup>1</sup> The vendor responsible for processing continuing education program fees deposits electronic payments directly into a District bank account, but the vendor responsible for processing electronic payments for the before and after school program vendor remits the fees to the District periodically by check.

## **How Should the District Properly Account for Program Fees?**

The Board and Coordinator are responsible for providing adequate oversight of the Department's operations, which includes adopting written policies and procedures over cash receipts and overseeing third-party vendors who collect online payments. Department employees should maintain accurate and complete cash receipts records. The Coordinator should ensure that all collections are deposited in a timely manner and then subsequently reconciled to Department records such as class rosters, sign-in sheets, daily attendance records and daily cash collection reports to help ensure all money collected, including online payments collected by third-party vendors, has been properly received, recorded and deposited.

The Board is also responsible for adopting written policies regarding collecting unpaid program fees due to the District. These policies should include provisions for invoicing overdue accounts in a timely manner and requiring Board approval for all payment plan arrangements and accounts written off as uncollectible and program participation for families with past due balances.

## **The District Did Not Receive All Program Fees**

The District did not have written policies or procedures for reconciling program fees and for overseeing third-party vendors collecting electronic payments online. We reviewed all program fees collected in January 2019, totaling more than \$92,000 and found that \$83,000 of the fees collected (90 percent) were paid electronically and collected by third-party vendors. However, District officials did not review or reconcile electronic payments with cash receipts records to verify that all program fees are collected and remitted to the District. As a result, District officials were unaware of a processing error by one vendor's software system that resulted in the District not initially receiving more than \$5,500 in before and after school program fees recorded as collected but not remitted in January 2019.

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<sup>1</sup> Electronic payments include payments made by credit or debit card and electronic payments or transfers from customer checking accounts.

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After we notified District officials of this discrepancy, the Coordinator contacted the vendor and was told that certain online payments failed to process and post correctly on January 14, 2019. District officials did not realize that the payments were unsuccessful and told us that they did not want to seek payment from parents or guardians since so much time had already passed. In January 2020, the vendor reimbursed the District for the lost revenue.

We also identified three payments for continuing education classes totaling \$113 that were recorded in daily revenue reports but not deposited by the vendor. The three payments were also electronic online payments that failed to process and post correctly. As a result, three individuals were able to take classes without paying. Because the amount was immaterial, District officials told us that they would not seek to recover the fees from the parties or vendor.

Due to these control deficiencies and exceptions, we expanded our testing and reviewed all electronic payments totaling approximately \$314,000 remitted by the before and after school program vendor from February 2019 through September 2019. We did not identify any additional discrepancies.

Although Department personnel reconciled daily cash collections for cash and check payments collected at the Department, they did not review electronic payments even though the majority of programs fees were collected online. Moreover, the Department does not have a reconciliation process to compare registration records such as class rosters, sign-in sheets and daily attendance records to daily cash collection reports. Because registration records are not reconciled with daily cash collection reports, District officials cannot be certain all registrants paid the appropriate fees or that all receipts were recorded and deposited. If District officials had provided adequate oversight and review of the vendors' collections or Department personnel had performed adequate reconciliations, these revenue losses may have been prevented or detected.

### **Enforcement Procedures for Overdue Accounts Were Inadequate**

The Board did not adopt written enforcement policies for overdue accounts and the Coordinator did not ensure all overdue accounts were invoiced in a timely manner.

We reviewed an accounts receivable aging report for the before and after school program and identified 75 accounts with outstanding balances totaling almost \$28,000 as of August 13, 2019. The majority of these balances totaling \$19,300 (69 percent) were more than 90 days past due; however, Department personnel only generated and mailed invoices for 32 accounts with balances totaling less than \$4,000 on August 15, 2019. Department personnel told us that they did not invoice some accounts because there was no effective mechanism to enforce

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collection on overdue accounts and parents would often only pay if they needed to use the program again. The 43 accounts that were not invoiced are as follows:

- Seventeen accounts with balances totaling \$17,000 were not invoiced because the District was waiting on payments from the New York State Department of Social Services or other agencies for students living in foster homes or for students whose parents qualified for State provided day care assistance payments.
- Thirteen accounts with balances totaling \$2,700 were not invoiced because Department personnel do not use the accounts receivable report when determining which accounts to invoice; they generate weekly invoices by reviewing individual accounts and selecting accounts to invoice and these accounts were just missed. We followed up on the 13 missed accounts in November 2019 and found that the accounts were invoiced and the parents subsequently paid.
- Two accounts with balances totaling almost \$2,200 were on payment plans approved by the Coordinator. However, the payment plan arrangements were not approved by the Board and there was no evidence any other District official had approved the payment arrangements. Further, the payment plan arrangements had not effectively reduced the unpaid balances because the students were allowed to continue participating in the program despite not paying all fees due. By November 2019, the balances due had increased to approximately \$2,400. Even though the account holders had been making some small payments, the payments were not sufficient enough to cover both the overdue amounts and the current fees incurred for ongoing services provided.
- Eight accounts with balances totaling \$1,800 were not invoiced because Department personnel had been unable to make contact with the customers in the past and deemed the accounts uncollectable.
- Three accounts with balances totaling \$200 were entered into the system under a child's name instead of a parent's name and therefore would not be invoiced. The Coordinator told us when this type of error occurs, no invoices are generated.

Adequate enforcement procedures are essential for ensuring program fees are collected in a timely manner and act as a deterrent against non-payment. By not consistently pursuing the collection of unpaids and by writing off uncollected charges without Board approval, the District may not have received all of the revenue possible for the program.

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## What Do We Recommend?

The Board should:

1. Ensure written policies and procedures are in place for reconciling program fees and for overseeing third-party vendors collecting credit card payments.
2. Adopt written policies that address collecting unpaid before and after school program fees and allowing program participation for families with past due balances.
3. Approve, or appoint someone independent of the program to approve, all payment plan arrangements and accounts written off as uncollectible.

The Coordinator should:

4. Review and reconcile electronic payments collected by third-party vendors with cash receipts records.
5. Invoice overdue accounts for unpaid before and after school program fees in a timely manner.

# Appendix A: Response From District Officials

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## WEST SENECA CENTRAL SCHOOL DISTRICT

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Matthew J. Bystrak  
Superintendent of Schools

February 25, 2020

Mr. Jeffrey D. Mazula, Chief Examiner  
Office of the State Comptroller  
295 Main Street, Suite 1032  
Buffalo, NY 14203-2510

Dear Mr. Mazula:

The following constitutes the West Seneca Central School District's response to the Report of Examination issued by your office entitled "Community Education." The Report of Examination covers the District's operation of the continuing education and before and after school programs during the period July 1, 2018 through November 18, 2019.

We would first like to express our appreciation for the professional and courteous manner in which your staff conducted its audit responsibilities.

The District's Board of Education and Administration remains committed to ensuring the District's financial operations are conducted with the highest level of integrity, and that the interests of the District's taxpayers are properly protected. The West Seneca Central School District is extremely proud of its operation of both the continuing education and before and after school programs. These two programs provide a valuable service to the residents and students of the school district—services that are not always available in other school districts. The District prides itself on the affordability of the before and after program, as well as its ability to provide a safe and enriched environment for our students outside of their normal school day. The continuing education program is also a point of pride, offering a wide array of educational programs that provide learning opportunities for students from pre-k to senior citizens. The District is pleased that this program continues in an era when many similar programs have ceased operation.

The District is currently in the process of preparing its Corrective Action Plan to fully address the findings and recommendations in the Report of Examination, and that Plan will be filed within the timeline specified by law. The District does, however, wish to take this opportunity to respond to certain aspects of the Report of Examination, which are as follows:

**Recommendation #1:** *Ensure written policies and procedures are in place for reconciling program fees, overseeing third-party vendors and for collecting unpaid before and after school program fees.*



**Response:** The District does maintain written procedures that serve as a guide for the processing of receipts for both the continuing education program, as well as the before and after school program. In addition, the department coordinator verbally discusses program operations quarterly with the advisory board, whose membership includes three Board of Education members. The District acknowledges, however, that formal policies do not exist and will work to develop them.

**Recommendation #2:** *Adopt written policies that address collecting unpaid before and after school program fees and allowing program participation for families with past due balances.*

**Response:** Although written policies that address collecting unpaid before and after school program fees and allowing program participation for families with past due balances do not currently exist, the status of unpaid balances is regularly shared and reviewed with the Director of Pupil Services, the Food Service Director, school social workers, as well as Board of Education liaisons. Every effort is made by the District during this process to work with families to minimize the amount of uncollected balances. The District acknowledges that policies should be developed to serve as a formal guide in the future.

**Recommendation #3:** *Approve, or appoint someone independent of the program to approve, all payment plan arrangements and accounts written off as uncollectible.*

**Response:** As noted in our response to recommendation #2, the status of past due balances is regularly shared with a team of individuals in an effort to ensure that every avenue is exhausted before a write off recommendation is made. The District acknowledges that an improved practice would include the designation of someone independent of the program to review and approve the recommendations made by the department coordinator for payment plan arrangements, as well as the write off of uncollectible accounts.

**Recommendation #4:** *Review and reconcile electronic payments collected by third-party vendors with cash receipts records.*

**Response:** As expressed during the course of the audit, department clerks verify and reconcile all receipts for both the continuing education and before and after school programs. It did come to our attention, however, that queries of vendor collection files were not consistently run in the same manner by all clerical staff, thereby resulting in the payment discrepancy noted in the audit report. We wish to note that this particular discrepancy was followed up with the vendor and payment was recovered by the District. We also wish to point out that since that time, all clerical staff have been trained in the proper method of receipt reconciliation to ensure no future error. The District believes the use of electronic payments reduces the District's overall exposure to loss and is reassured that no other instances of discrepancy were found during the auditor's extended search.

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Office of the State Comptroller

February 25, 2020

**Recommendation #5:** *Invoice overdue accounts for unpaid before and after school program fees in a timely manner.*

**Response:** The current practice is to invoice all accounts on a monthly basis with a final invoice provided at the end of the school year. Overdue accounts are typically the result of a financial hardship that is addressed in an ongoing manner as described more fully in our response to recommendations #2 and #3. The recommendation to invoice more frequently, we feel, would require a substantial amount of time and effort. The District feels its resources are more effectively spent working with families to provide a solution to unpaid fees.

Once again, the District's administration and Board of Education wish to express their appreciation for the Comptroller's Office review of two of the District's most valuable programs. It has been reassuring to know that after the several months spent at the District, no serious deficiencies were noted and the recommendations made will serve to strengthen these programs. As always, the District will continue to work toward a balance between fiscal prudence and serving the needs of our educational community.

Sincerely,

Matthew J. Bystrak  
Superintendent of Schools

## 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and employees to gain an understanding of Department operations and the cash receipts process. We also reviewed Board meeting minutes, program brochures and vendor contracts.
- We focused our review on January 2019 because the continuing education winter 2019 semester was the last semester that was finalized at the time our audit commenced.
- We reviewed program fees totaling \$92,000 collected in January 2019 by both Department personnel and third-party vendors. We reviewed cash and check payments totaling approximately \$9,000 collected by District personnel. We compared these payments to daily collection reports, deposit slips and the District treasurer's receipts. We reviewed electronic payments totaling \$83,000 processed by third-party vendors. We compared amounts remitted by the vendors to electronic payments recorded in daily revenue reports and system generated monthly summary reports.
- We compared the accounts receivable aging report generated from third-party software on August 13, 2019, to invoices mailed out to before and after school program customers on August 15, 2019, to assess whether accounts with outstanding balances were invoiced accurately. We reviewed all accounts with balances that were not invoiced.

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. 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

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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 to the District's website for public review.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://www.osc.state.ny.us/localgov/academy/index.htm)

## Contact

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