

Rush-Henrietta Central School District

Credit Cards and Purchase Cards

2024M-122 | January 2025

Contents

Report Highlights 1

Credit and Purchase Cards 2

 How Should District Officials Ensure Credit Card and Purchase Card Charges Are
 Approved, Supported and Appropriate? 2

 Certain Credit Card and Purchase Card Charges Were Not Properly Approved or
 Supported 3

 What Do We Recommend? 4

Appendix A – Response From District Officials 6

Appendix B – OSC Comment on the District’s Response. 8

Appendix C – Audit Methodology and Standards 9

Appendix D – Resources and Services. 11

Report Highlights

Rush-Henrietta Central School District

Audit Objective

Determine whether Rush-Henrietta Central School District (District) officials ensured credit card and purchase card charges were properly approved, supported and for appropriate District purposes.

Key Findings

District officials did not ensure that all credit card and purchase card charges were properly approved and supported. Therefore, it could not be determined whether all charges were for appropriate District purposes. Additionally, officials did not ensure that credit card charges were reconciled in a timely manner and audited, as required, prior to payment.

We reviewed 680 credit card and purchase card charges totaling \$168,831 and determined that 538 charges totaling \$156,982 had one or more exceptions:

- 410 charges totaling \$144,142 were paid prior to audit and approval by the claims auditor.
- 355 charges totaling \$104,258 required pre-approval but were not properly approved.
- 82 charges totaling \$6,199 for the Facilities and Transportation Departments were not independently audited. The claims auditor who reviewed and approved the charges also maintained and administered the purchase cards for these departments.
- 288 charges totaling \$64,925 did not have adequate support including a specific District purpose, a receipt or itemized receipt or the required business expense reports.

Key Recommendations

We provided nine recommendations to help District officials improve the District’s credit card and purchase card purchasing processes.

District officials generally agreed with our recommendations and indicated they will take corrective action. Appendix B includes our comment on the District’s response letter.

Audit Period

July 1, 2022 – September 17, 2024

Background

The District is located in the Towns of Brighton, Henrietta, Pittsford and Rush in Monroe County. The elected seven-member Board of Education (Board) is responsible for managing and controlling the District’s financial and educational affairs. The current Board President assumed this role as of July 1, 2023. The Superintendent of Schools (Superintendent) is the chief executive officer and is responsible for the District’s day-to-day management under the Board’s direction. The current Superintendent started in this position on April 3, 2023.

The Assistant Superintendent for School Finance and Operations (Assistant Superintendent) is responsible for day-to-day financial operations, including purchasing, with the assistance of other business office staff. The Treasurer and accounts payable clerk are responsible for the reconciliation of credit card and purchase card statements, respectively, and the Treasurer is responsible for the disbursement of funds. The claims auditor is responsible for ensuring claims are properly supported and for appropriate District purposes.

Quick Facts	
Total Number of Credit Card and Purchase Cards	116
Credit Card and Purchase Card Charges Reviewed July 2022 – March 2024	
Amount	\$168,831
Total Number of Charges	680

Credit and Purchase Cards

An approved, supported and appropriate credit card or purchase card charge¹ is a transaction that is for goods and services that serve the purpose of a school district, has adequate supporting documentation and complies with the school district's written policies. Because credit card and purchase cards inherently carry a significant fraud risk with their use, it is critical that their activity is monitored, properly approved and adequately supported.

How Should District Officials Ensure Credit Card and Purchase Card Charges Are Approved, Supported and Appropriate?

District officials should develop written credit card and purchase card policies that address the specific circumstances under which credit cards and purchase cards may be used, including who is authorized to use them, prior approval(s) needed, dollar limits and types of expenses for which they may be used (e.g., travel expenses) and what documentation must be presented to support the claim submitted for audit. The policy should also include procedures for monitoring credit card and purchase card use to assess the reasonableness of the nature and number of charges and to promote accountability and responsibility by outlining the risks, such as liability for damage, loss and/or improper use.

District officials should ensure the District's written purchasing, credit card and travel policies and regulations are adhered to. They require:

- An approved purchase order (PO), prior to using the credit card. For non-travel purchases, this includes a detailed description of the goods and services.
- Preauthorization for travel using the conference/travel preauthorization form.
- Travel by the most cost-effective method, unless an exemption is granted.
- Travel expenses reported on a business expense report with original receipts or invoices submitted after the trip.

Additionally, officials should adhere to the District's administrative guidelines pertaining to refreshments at District functions. The guidelines restrict the purchase of food for meetings with District staff, with certain exceptions, that the Superintendent must approve.

Officials should ensure all credit card and purchase card charges are audited prior to payment. A school board must audit the claims against the school district before they are paid or appoint a claims auditor to assume the school board's powers and duties to audit and approve claims. An effective credit card and purchase card claims audit ensures that every purchase made with a credit card or purchase card is subjected to an independent, thorough and deliberate review to determine that each claim is properly supported by appropriate approvals, itemized invoices or receipts and other documentation necessary to determine that the goods and services received are for an appropriate school district purpose and in

¹ A purchase card is similar to a credit card and can be used to make purchases at the specific store that issued the card, with the account balance billed to the school district each month.

accordance with school district policy. Officials can learn more about how an effective claims audit is performed by reviewing our Local Government Management Guide entitled *Improving the Effectiveness of Your Claims Auditing Process* (Figure 1).

Certain Credit Card and Purchase Card Charges Were Not Properly Approved or Supported

The Assistant Superintendent stated that the Board-adopted credit card policy also covered purchase cards; however, the purchase cards are not explicitly mentioned in the policy. Therefore, department staff developed their own practices for purchase card use, which resulted in inadequate controls. For example, staff did not always use a log, or other method, to track who had custody of the purchase cards when they were shared amongst staff. If inappropriate purchases were made, it might be more difficult to hold the appropriate individual accountable if there is no documentation of who made the purchase. In addition, the credit card and travel policies did not convey what happens if an employee inappropriately uses either card or convey when non-travel receipts should be submitted and reconciled. Also, officials did not ensure the policies and other guidelines were followed.

As of May 31, 2024, the District had seven credit cards and 109 purchase cards. During the period July 1, 2022 through March 31, 2024, the District had credit card and purchase card payments totaling \$287,751. We reviewed 680 credit card and purchase card charges totaling \$168,831 and determined that District officials did not ensure charges were:

- Properly approved,
- Adequately supported, including the specific District purpose for each charge, and
- Made in accordance with the District's written policies, regulations and administrative guidelines.

There were 538 charges totaling \$156,982 that had one or more exceptions (Figure 2), including:

- 410 charges totaling \$144,142 that were not audited and approved,

FIGURE 1

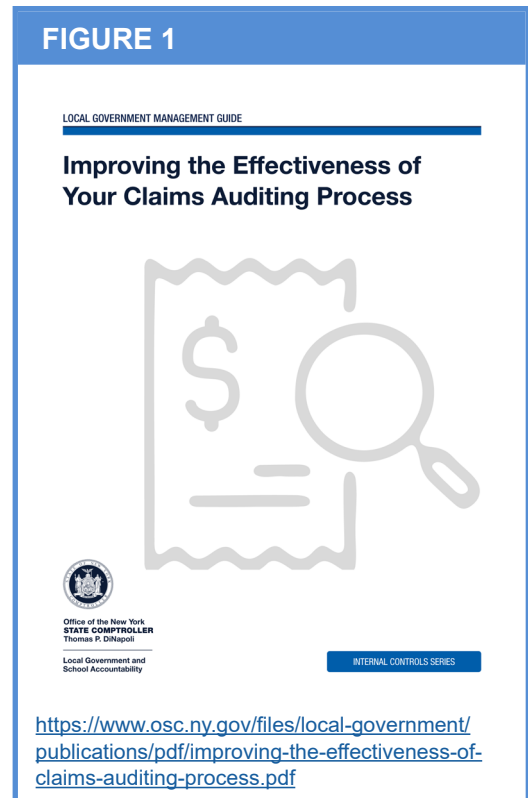
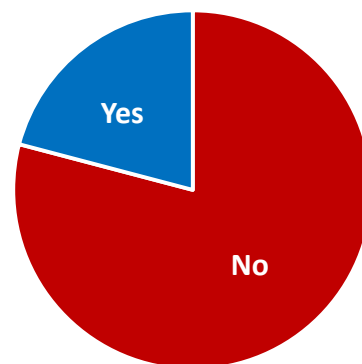


FIGURE 2

Properly Approved and Supported Charges



as required, prior to payment. Most of these occurred because the Treasurer did not reconcile charges to the credit card statements before the District's credit card vendor withdrew payment from the District's bank account. The vendor's withdrawals were not directly authorized and are improper.

- 355 charges totaling \$104,258 that were not properly approved. The purchases either did not have a PO, the PO was approved after the purchase was made, the PO did not contain adequate detail, the amount of the purchase exceeded the PO amount or charges for travel and refreshments did not have the required preauthorization. For example, department heads typically approved refreshment purchases instead of the Superintendent. These purchases do not conform with the District's requirements.
- 288 charges totaling \$64,925 did not have adequate support, including: a specific District purpose, a receipt or itemized receipt or the required business expense reports. While these purchases were generally for items that could be reasonable District purposes, most of the purchase card purchases were for goods that could also be for non-District purposes, such as food and maintenance and repair supplies. Therefore, without the specific District purpose documented, we could not determine whether they were for District purposes. For example, various teachers made purchases for food and cooking supplies for classroom activities. However, the documentation for these charges did not include details, such as what the class was making or the number of participants, to determine whether the type and quantity of supplies purchased were reasonable. In addition, some officials and staff incurred travel-related charges that included economy plus or preferred seating upgrades on flights which resulted in additional costs to the District. The Board President told us that these were generally the best or only travel options. However, there was no documented justification to support the most economical method of travel was used.
- 82 charges totaling \$6,199 for the facilities and transportation departments did not have an independent audit because no one other than the claims auditor, who also maintained and administered the purchase cards for these departments, audited the claims.

Credit cards and purchase cards provide a convenient method for making small one-time purchases. However, when credit card and purchase card use is not properly controlled and monitored or officials and staff are allowed to circumvent existing policies, there is an increased risk that inappropriate and wasteful spending may occur. Furthermore, allowing automatic withdrawals from the District's bank account increases the risk that money may be improperly transferred.

What Do We Recommend?

The Board should:

1. Update policies and regulations to include requiring due dates for receipt submission and reconciliation of charges, penalties for inappropriate use and requirements for purchase cards, including the use of a log for shared cards.
2. Ensure the claims auditor is independent.

The Assistant Superintendent should:

3. Ensure compliance with District policies, regulations and administrative guidelines and enforce penalties for noncompliance.
4. Ensure supporting documentation is provided to the business office for all credit card and purchase card charges in a timely manner.

The Treasurer should:

5. Discontinue allowing the credit card vendor access to the District's bank account.
6. Ensure credit card statements are reconciled in a timely manner.
7. Ensure all credit card and purchase card charges are audited prior to payment.

The Superintendent should:

8. Approve the purchase of food for meetings with District staff as required.

The claims auditor should:

9. Ensure all credit card and purchase card charges have appropriate approvals and contain sufficient supporting documentation, such as POs, itemized receipts and documented purpose, prior to approving them for payment.

Appendix A: Response From District Officials



Rush-Henrietta Central School District

www.rhnet.org

December 18, 2024

Stephanie Howes, Chief of Municipal Audits
Division of Local Government and School Accountability
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614

Dear Ms. Howes:

We are in receipt of the “draft” Report of Examination of the Rush-Henrietta Central School District (Report ID 2024M-122). The exit conference with members from your office was held with us on December 2nd for the purpose of ensuring that the facts that were relied upon for the conduct of the audit were accurate and complete. Based upon our review the “draft” report of examination some clarifications were provided. Our response is based upon the “draft” report and not the issued report as we have not had an opportunity to review that prior to its release (recognizing that the changes requested are probably minimal in the scope of the entire report).

See
Note 1
Page 8

As a school district entrusted with educating students and safeguarding taxpayer resources, we take this report seriously and with an eye to improving our policies and procedures. We are appreciative of the Office of the New York State Comptroller and the staff for providing the feedback throughout the engagement and this report. As noted in the document entitled “Responding to an OSC Audit Report” we are issuing this audit response and will follow up with a corrective action plan.

In response to the recommendations as noted in the “draft” report we have noted many of the recommendations stem from our policies and regulations. The Board of Education (the Board) has been working through the Policy Committee (a subcommittee of the Board) on clarifying and updating the Board policies and regulations since September of 2023. The Policy Committee has identified in certain areas a need for clarification between a policy and a regulation. The anticipated result of the Policy Committee’s work will be Board adopted policies with administrative guidelines for implementation to avoid possible conflicts between today’s current regulation and an actual practice. The Board’s adopted policies will assist in strengthening the overall internal control structure of the District as many of your recommendations seem to be in that area.

Parker Administration Building • 2034 Lehigh Station Road • Henrietta, NY 14467 • 585.359.5000

Finally, the Rush-Henrietta Central School District's Administration has begun reviewing the recommendations in your report, notably numbers 2, 4, 5, 6, 7 and 9, for immediate action and the formal corrective action plan will provide the steps that are in process.

Very truly yours,

Scott M. Adair
Board of Education, President

Cc: Dr. Barbara Mullen, Superintendent
Andy Whitmore, Assistant Superintendent of Finance and Operations

Appendix B: OSC Comment on the District's Response

Note 1

After discussion at the exit conference, we made minor edits to the report which were discussed with the Assistant Superintendent on December 4, 2024.

Appendix C: 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 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 District officials and staff including the Superintendent, Assistant Superintendent, Treasurer, accounts payable clerk, claims auditor and Board President, and reviewed written policies, regulations and administrative guidelines to gain an understanding of the District's use and monitoring of credit cards and purchase cards.
- We reviewed the credit card statements and purchase card vendor transaction reports to identify all credit card and purchase card payments from July 1, 2022 through March 31, 2024 totaling \$287,751.
 - We reviewed all 394 credit card charges totaling \$142,420, which included 26 credits or refunds totaling \$4,829, to determine whether charges were properly approved, adequately supported, for appropriate District purposes and complied with the District's written policies, regulations and administrative guideline requirements. This included whether travel had required preauthorization and business expense reports.
 - We used professional judgment to select two months of purchase card charges for the four purchase card vendors for testing (September 2022 and July 2023), based on the higher number and total dollar amount of transactions within these months. We also used a software program to randomly select an additional month of purchase card charges to review (December 2023). In total, there were 286 charges totaling \$26,411 in these three sample months, which we reviewed to determine whether charges were properly approved, adequately supported and for appropriate District purposes.
- We reviewed the warrants and credit card claims packets for the 680 charges and compared them with payment dates to determine when credit and purchase card claims were audited.

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. 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 D: 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

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

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

ROCHESTER REGIONAL OFFICE – Stephanie Howes, Chief of Municipal Audits

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608

Tel (585) 454-2460 • Fax (585) 454-3545 • Email: Muni-Rochester@osc.ny.gov

Serving: Cayuga, Livingston, Monroe, Ontario, Schuyler, Seneca, Steuben, Wayne, Yates counties