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# Audit Report

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Storefront Academy Charter School  
Adequacy and Reliability of Internal Controls  
for the Period  
July 1, 2017 through June 30, 2022

CH-0220-01

October 6, 2023

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**The University of the State of New York**  
**THE STATE EDUCATION DEPARTMENT**  
**Office of Audit Services**  
**Albany, New York 12234**





**THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234**

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New York State Education Department  
Office of Audit Services  
89 Washington Avenue, 471 EBA  
Albany, New York 12234  
518 473-4516

October 6, 2023

Alison Davis Curry  
Interim Executive  
Director  
Storefront Academy Charter School  
609 Jackson Avenue  
Bronx, NY 10455

Dear Ms. Davis Curry:

Enclosed is the final audit report (CH-0220-01) corresponding to our audit of Storefront Academy Charter School for the period July 1, 2017 through June 30, 2022. The objectives of this audit were to determine if internal controls over financial operations, including the policies and procedures for collecting and reporting financial data, were appropriately designed and operating effectively. This audit was conducted pursuant to Section 215 of the Education Law.

Within ninety (90) days of the issuance of this report, we request Storefront officials provide a written corrective action plan to the Office of Audit Services which details the specific steps that were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

We appreciate the cooperation and courtesies extended to NYSED staff during the audit. If you have any questions or require additional information, please contact Zubair Khan, Auditor-in-Charge (Zubair.Khan@nysed.gov).

Sincerely,

James Kampf  
Director, Office of Audit Services

**Attachments**

c: Betty A. Rosa, Commissioner  
Sharon Cates-Williams, Executive Deputy Commissioner  
Angelique Johnson-Dingle, Deputy Commissioner P-12  
Lisa Long, Executive Director, Charter School Office

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## **Executive Summary**

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### ***Objectives***

The objective of this audit was to determine if Storefront Academy Charter School's internal controls over the financial operations were appropriately designed and operating effectively. The audit assessed controls over Board oversight, cash disbursements, financial condition, payroll, purchasing, time and attendance, and third-party relationships. The audit covered the period from July 1, 2017 through June 30, 2022.

### ***Background***

The Storefront Academy Charter School (School) is a New York State, non-profit, 501(c)(3) educational corporation located in Bronx, New York. On December 2, 2014, the School was granted a provisional charter for a term of five years, renewable upon expiration for a term of five years, by the Board of Regents of the University of the State of New York to operate as a charter school pursuant to Article 56 of the Education Law of the State of New York. During the year ended June 30, 2020, the charter was approved for a short-term renewal for a period of three years through July 31, 2023. The most recent renewal charter was approved by the SUNY Board of Trustees on March 15, 2023, which extended the charter for a term of five years through July 31, 2028.

The School is governed by a Board of Trustees, currently comprised of 7 elected members. The Board is responsible for the general management and control of the School's financial and educational affairs. The Chief Executive Officer is responsible, along with other administrative staff, for the day-to-day management of the School under the direction of the Board.

The School's mission is "to provide children of varied academic strengths a quality education option that, prepares them academically, socially and emotionally to become critical thinkers, high-achieving students, and well-rounded individuals. Working in partnership with families and community members SACS instills a powerful sense of self and gives its students the tools to own the future and create meaningful adult lives. Our vision is to provide a rigorous, joyful and intentional learning environment for all students – one that paves the way for high school, college and life success."

The School obtained a dba effective September 22, 2015 under the name Storefront Academy Charter School South Bronx.

On February 11, 2020, the School was granted an amendment to their charter agreement by the Board of Regents to open an additional school in Harlem (New York County). The Storefront Academy Charter School Harlem (SACSH) was issued a charter that expires on July 31, 2024 and operates under the same management and Board of Trustees as the Bronx school.

For the 2021-2022 school year, the School reported 285 students enrolled in grades K-5 at the Bronx location and 72 students enrolled in grades K-3 at the Harlem location. The School is supported primarily by State and local per-pupil operating revenues. For the period ending June 30, 2022, the School reported total revenues of \$10,689,848 and total expenses of \$9,962,193.

### ***Key Findings***

For the audit period July 1, 2017 through June 30, 2022, we found:

1. School officials did not follow their own policies and procedures related to the new-hire process. Additionally, they did not maintain the necessary supporting documentation in accordance with federal and state retention period requirements.
2. The School's internal controls did not provide sufficient assurances that travel expenses paid by the School were necessary for School operations, reasonable, allowable, or properly approved.
3. School officials did not follow their own written policies and procedures for purchasing property and equipment. No physical inventory checks/audits were completed to ensure that all assets were present, in usable condition, located in the assigned area or with the appropriate personnel, properly tagged, and accurately recorded in their records.
4. The School's internal controls did not provide sufficient assurances that the charges were incurred in the best interest of the School and filled a bona fide need. Additionally, the former CEO was the only person authorized to view the monthly electronic invoices and statements.
5. The School did not follow its written policies and procedures regarding self-dealing transactions.
6. School officials did not follow the School's written competitive bidding policies and procedures and did not maintain the necessary documentation required.
7. School officials did not follow their written Asset Tracking policies and procedures and did not maintain the necessary information required.
8. School officials do not have policies and procedures in place to determine when it is appropriate to provide food and beverages at meetings, trainings and conferences sponsored by the School.
9. The School's purchasing policy, which includes requirements for credit card use, does not contain provisions for monitoring use and ensuring compliance with the purchasing policy. As a result, the CEO was able to circumvent the existing policy requirements and make unsubstantiated credit card purchases.

### ***Key Recommendations***

We recommend Storefront Academy Charter School:

1. Ensure required documentation is maintained in each personnel file (e.g., photo identification, Board approval of new hire, signed hire letter, job description, resume, certification, resignation letter, background checks/fingerprinting). Developing tools, such as checklists, for the hiring and termination processes ensures the required steps are followed and documentation is maintained.

2. Update their travel policy to ensure travel to conferences or for official school business are approved in advance by the Board, including written justification of the benefit derived from attending the conference, a copy of the conference registration form and conference agenda.
3. Require all conference and travel expenditures to be necessary for School operations, be adequately supported with receipts and have Board pre-approval prior to approving the expenditures for payment.
4. Update their policies and procedures over property and equipment and incorporate best practices from the SUNY Charter Schools Institute's *Financial Oversight Handbook*.
5. Update their policies and procedures to require more than one person to review monthly bills to ensure the charges are in the best interest of the School.
6. Develop stronger internal controls over the purchasing process to catch potential conflicts of interest, such as requiring two staff members' approval for purchases over \$5,000.
7. Adopt a more comprehensive procurement policy to provide detailed guidance for officials and employees with clear language addressing the procurement of goods and services, including prescribing methods for soliciting competition through the use of an RFP process and written or verbal quotes.
8. Develop procedures to ensure a competitive process is used to procure goods and services not addressed in the current policy.
9. Update their current policies and procedures to require annual reviews of fixed asset records to ensure they are accurate and up to date.
10. Develop policies and procedures for determining when it is appropriate to provide food and beverages at meetings, trainings and conferences sponsored by the School.
11. Update the purchasing policy or adopt a written credit card policy to address monitoring and controlling credit card use. The policy should establish an appropriate approval and review process to ensure required supporting documentation is retained and purchases are approved prior to payment.
12. Develop criteria for misuse of the School's credit card, such as revoking card privileges and requiring repayment of questionable purchases.
13. Require the use of a tax-exempt form for both in-person and online purchases.

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## Introduction

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### ***Background***

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The School's mission is "to provide children of varied academic strengths a quality education option that, prepares them academically, socially and emotionally to become critical thinkers, high-achieving students, and well-rounded individuals. Working in partnership with families and community members SACS instills a powerful sense of self and gives its students the tools to own the future and create meaningful adult lives. Our vision is to provide a rigorous, joyful and intentional learning environment for all students – one that paves the way for high school, college and life success."

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## **Objectives, Scope, and Methodology**

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The Office of Audit Services conducted an audit to determine if Storefront Academy Charter School's internal controls over the financial operations were appropriately designed and operating effectively. The audit assessed controls over Board oversight, cash disbursements, financial condition, payroll, purchasing, time and attendance, and third-party relationships. The audit covered the period from July 1, 2017 through June 30, 2022.

To accomplish our objectives, we interviewed School officials, assessed financial controls, reviewed policies and procedures for procurement, processing revenues, expenditures, and payroll, examined documentation provided by School officials to support the financial transactions, reviewed relevant laws, and interviewed other staff.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), with the sole exception of an external peer review. Those procedures 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. In addition, GAGAS requires a review performed by a team of external peers, independent of the audit organization, at least once every three years. Due to recent changes in personnel and budget constraints, an external peer review was not conducted. We anticipate that an external peer review will be performed in the near future and believe that the lack of an external audit peer review has had no material effect on the assurances provided.



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## Audit Findings and Recommendations

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### 1. Employee Personnel File

When teachers are hired, both the charter school and the new employee are required to complete a considerable amount of paperwork (e.g., tax withholding forms, health insurance and retirement enrollment forms, direct deposit forms, clearance for employment forms), which is then retained in the new employee's personnel file for a defined period of time. Charter schools should have established procedures for the new hire process, including the specific documentation that is to be maintained in the employee's personnel file and a corresponding retention schedule.

In accordance with the *Storefront Academy Charter School South Bronx Financial Policies and Procedures Manual, Annex 2: Requirements for Record Retention*, the following chart details the employee records' retention periods:

Employee Records:	Retention Period
Benefit plans	Permanently
Employee files (ex-employees)	7 Years
Employment applications	3 Years
Employment taxes	7 Years
Payroll records, including payments to pensioners	7 Years
Pension/profit sharing plans	Permanently
Time books	7 Years

To determine if the School was in compliance with the applicable record retention periods outlined in their policies and procedures, we reviewed the personnel files of 13 employees and found the following missing and incomplete records:

Amount	Missing/Incomplete Documentation
10	Job Descriptions
9	Resumes
3	Teaching Certificates
5	Offer Letters
9	Federal/State Withholding Forms
11	Direct Deposit Forms
13	Performance Evaluation Forms
8	I-9 Forms
1	Background Check/Fingerprinting
7	Benefit Plan Enrollments
11	Incomplete Background Checks
4	Incomplete I-9 Forms
1	Incomplete Offer Letter

School officials did not follow their own policies and procedures and did not maintain the necessary supporting documentation.

Without complete personnel files, the School cannot ensure compliance with federal and state laws and regulations, and record retention requirements.

### **Recommendations:**

We recommend the Board update the School's record retention policy and implement additional procedures to ensure:

- Required documentation is maintained in each personnel file (e.g., photo identification, Board approval of new hire, signed hire letter, job description, resume, certification, resignation letter, background checks/fingerprinting). Developing tools, such as checklists, for the hiring and termination processes ensures the required steps are followed and documentation is maintained;
- Periodic reviews of all employee files are conducted by appropriate staff to verify required documentation is maintained;
- Performance evaluations are conducted at least annually for all staff and a copy is retained in the employee's file;
- Salary increases for staff should require documented justifications and Board approval, with a copy retained in the employee's file.

## **2. Travel and Conferences**

Officers and employees often travel as part of their official duties to attend conferences, training sessions or to perform other job-related duties. A well thought-out travel and conference policy is the foundation for establishing effective control over travel and conference expenses.

In accordance with the *Storefront Academy Charter School South Bronx Financial Policies and Procedures Manual – Travel Expenses*:

- All travel arrangements and expenses will be pre-approved by the CEO (the Board Chair/Treasurer will approve the CEO's travel arrangements).
- All pre-approved travel arrangements will be purchased or reimbursed by the School.
- Expectations for daily expenses or per diem allowances will be determined by the employee's trip.
- Receipts are required for all expenditures requiring reimbursement.
- Approved Expense reports will be submitted to the Director of Finance for processing.

- Documentation of expenses will comply with IRS requirements and clearly show:
  - Date
  - Names of those in attendance
  - Location
  - Business purpose
  - Amount

As a best practice, the SUNY Charter Schools Institute's *Financial Oversight Handbook* recommends charter schools "have internal controls in place to provide reasonable assurance that their goals and objectives are accomplished; laws, regulations, and good business practices are complied with; assets are safeguarded; and accurate and reliable data are maintained." Per the Handbook, a charter school's travel and conference policy should include:

- Attendance at conferences is approved in advance by the board or the executive officer that has been delegated this responsibility. If the board delegates approval to the executive officer, the board should approve requests of the executive officer.
- The charter school has considered adopting the federal or State travel, lodging, and meal reimbursement rates for expenses incurred for charter school business. All claims for reimbursement of travel expenses must be in writing, itemized, and supported with original receipts, for official charter school business and approved for payment.
- The charter school's policy limits the reimbursement of travel and meal expenses to expenses that are actual, necessary, and reasonable.
- The charter school has a policy or procedure requiring board members and employees to provide a written account of the benefits derived from attendance at conferences.

To determine if the School was in compliance with their travel policies and procedures, we reviewed a total of 68 random travel and conference-related transactions. 19 of those transactions were related to conferences and the remaining 49 transactions were for other travel.

Of the 19 conference-related transactions, we noted:

- Zero transactions were pre-approved by the Board Chair/Treasurer;
- Zero transactions had any written benefit documentation for attending the conference, or documentation of the expectations for daily expenses or per diem allowances;
- Nine transactions were not necessary and reasonable, and;
- Fourteen transactions did not have any receipts to support the corresponding expense.

Of the 49 other travel-related transactions (e.g., Lyft/Uber), we noted that none were supported with details of the trip, business purpose or receipts.

The School's internal controls do not provide sufficient assurances that travel expenses paid by the School were necessary for School operations, reasonable, allowable, or properly approved.

By not following their own fiscal policy for travel, the School risks disbursing funds that

are unauthorized or inappropriate, which can lead to fraud, waste, and abuse.

### **Recommendations:**

We recommend the Board:

- Update their travel policy to ensure travel to conferences are approved in advance by the Board, including written justification of the benefit derived from attending the conference, a copy of the conference registration form and conference agenda.
- Require all conference and travel expenditures be necessary for School operations, adequately supported with receipts and have Board approval of the expenditures prior to payment.
- Update the travel policy to require employees submit documentation of attendance and/or completion of any conference or training.
- Consider adopting the federal or state travel, lodging and meal reimbursement rates for travel expenses incurred for charter school business.

### **3. Apple Hardware**

Charter schools have a responsibility to accurately record, maintain and account for assets under their stewardship. Therefore, there should be a policy that sets forth the responsibilities, roles, and guidelines on how to comply with government regulations, accounting industry standards, and how to support accurate reporting of the physical assets used to conduct the mission.

In accordance with the *Storefront Academy Charter School South Bronx Financial Policies and Procedures Manual – Property & Equipment*, “Each item is also physically tagged in a visible area on the item and with an indication of whether the item belongs to the School or a governmental agency (i.e. purchased with grants such as Department of Youth and Community Development). ... The Director of Finance performs inventory audits every 2 years (in addition, documented inventory audit is required if assets are purchased with federal funds), verifying, and updating the data contained in the Fixed Asset Tracking List. The Fixed Asset Tracking List is reconciled to the General Ledger by the Director of Finance.”

In our review, we noted eleven Apple hardware items (i.e., four iPads, four iPhones, two watches and one router) that were missing; however, service was being paid monthly for these items on the AT&T invoice. The hardware was not present at the School location nor did the IT vendor, Charter Tech Solutions, have a record of the devices being incorporated into the School’s IT environment. It is unknown who was in possession of the Apple hardware or where these devices are currently located.

School officials did not follow their own written policies and procedures for purchasing property and equipment. No physical inventory checks/audits were completed to ensure that all assets were present, in usable condition, located in the assigned area or with the appropriate personnel, properly tagged, and accurately recorded in their records.

Without adequate oversight of property and equipment purchases, the School cannot

provide assurances that assets are adequately accounted for and would be detected if lost, stolen, or misused.

### **Recommendations:**

We recommend School officials:

- Update their policies and procedures over property and equipment and incorporate best practices from the SUNY Charter Schools Institute's *Financial Oversight Handbook*.
- Perform a complete physical inventory and compare the results to the inventory records.
- Take appropriate action to follow up on any discrepancies and seek restitution for any misappropriation of funds.

### **4. Billing (AT&T)**

Charter schools have a responsibility to ensure they are not being billed for improper or unauthorized charges and that all billings are reasonable, necessary and in the best interest of the school.

In accordance with the *Storefront Academy Charter School South Bronx Financial Policies and Procedures Manual – Purchases, Accounts Payable and Cash Disbursements*, "The School procures only those items and services required to fulfill the mission and/or fill a bona fide need. ... The School adheres to the following objectives:

- Procurements will be completely impartial based strictly on the merits of supplier and contractor proposals and applicable considerations such as delivery, quantity, quality.
- The School will make all purchases in the best interests of the School and its funding sources and in accordance with any grant restrictions as applicable.
- The School will buy from reliable vendors.
- The School will not contract with vendor who has been suspended or debarred ([www.sam.gov](http://www.sam.gov)).
- The School will obtain maximum value for all expenditures.
- The School will be above suspicion of unethical behavior at all times and avoid any conflict of interest, transactions with related parties, or even the appearance of a conflict of interest in the School supplier relationships. The School's conflict of interest policies are described in its By-laws.
- All contractors will possess financial and technical resources necessary to provide service/goods."

In our review, we noted the AT&T invoices provided had international and roaming data charges from the Dominican Republic for certain Apple iPhones and tablets totaling \$1,312.16.

The School's internal controls did not provide sufficient assurances that the charges were incurred in the best interest of the School and filled a bona fide need. Additionally, the former CEO was the only person authorized to view the monthly electronic invoices and

statements.

Without sufficient internal controls over the purchasing function, there is a high risk that fraud, waste and abuse could occur.

**Recommendations:**

We recommend the Board:

- Implement policies and procedures to ensure more than one person has access to online statements.
- Update their policies and procedures to require more than one person review monthly bills to ensure the charges are in the best interest of the School.
- Determine if the charges were incurred in the School's best interest. If not, seek restitution for any misappropriation of funds.

**5. Vendor Conflict of Interest**

Charter Schools have a responsibility to ensure that an employee's personal interest does not contradict the interest of the school.

In accordance with *Storefront Academy Charter School's Code of Ethics policy - Self-dealing Transactions*, "Neither members of the Board nor the employees of the School shall engage in any "self-dealing transactions," except as approved by the Board and in compliance with the Conflict-of-Interest Policy. "Self-dealing transaction" means a transaction to which the School is a party and in which one or more of the individual Trustees, officers, or employees has a financial interest."

In our review, we noted that numerous purchases were made without proper Board approval totaling \$18,899.00 from an employee-owned vendor, Simpli Trinklets. At the time of the purchases, the owner of Simpli Trinklets was employed at Storefront Academy Charter School.

The School did not follow its written policies and procedures regarding self-dealing transactions.

Without proper oversight of the purchasing function, there is a high risk of fraud, waste and abuse could occur.

**Recommendations:**

We recommend the Board:

- Ensure every employee is aware of the School's code of ethics policy.
- Develop stronger internal controls over the purchasing process to catch potential conflicts of interest, such as requiring two staff members' approval for purchases over \$5,000.

## **6. Competitive Bidding**

Charter schools utilize competitive bidding as a common practice for procurement that involves inviting multiple vendors to bid for the same material, product, or service per the school's requirements. This allows transparency, equality of opportunity and the ability to demonstrate that the outcomes represent the best value.

In accordance with the *Storefront Academy Charter School South Bronx Financial Policies and Procedures Manual – Competitive Bids and Quotes*:

- For items purchased with non-Federal funding, competitive bids are required for goods and services over \$20,000.
- The School will seek bids/quotes from at least three vendors and award the contract to the qualified vendor offering the supply or service needed.
- The Director of Finance and Operations Manager are responsible for soliciting and documenting these quotes/bids.
- Multiple bids will be presented to the Board with recommendations for review.
- Award may be made to a vendor other than the low bidder in circumstances which the higher bid demonstrates best value to the School. In such situations, Director of Operations will prepare a justification statement for such awards, furnishing a brief explanation of the factors leading to such a decision.

We reviewed two purchases over \$20,000 to see if they complied with the School's purchasing policy. One purchase totaling \$22,565 was for security cameras and installation. The other purchase was \$35,000 for painting the interior of the school. We noted the following:

- There was no evidence of any competitive bids obtained for the security cameras and installation or documentation of the selected vendor as a sole source.
- The school obtained three written quotes for painting, but the work to be completed was not identical.
- School officials selected the highest bid for painting without providing any justification for the decision.
- For both purchases, there was no evidence of Board review and approval.

School officials did not follow the School's written competitive bidding policies and procedures and did not maintain the necessary documentation required.

When School officials do not seek appropriate competition and the Board does not properly approve the purchases as required by the School's written policies, they lack assurance that the procurements are made in the most economical manner, from qualified vendors and were not influenced by favoritism.

### **Recommendations:**

We recommend the Board:

- Adopt a more comprehensive procurement policy to provide detailed guidance for officials and employees with clear language addressing the procurement of goods and services, including prescribing methods for soliciting competition through the use of an RFP process and written or verbal quotes.

- Provide sufficient oversight to ensure School officials and employees adhere to the policy.
- Properly approve purchases as required by the policy.
- Require adherence to the charter's requirements and written procurement procedures and approve and document in the minutes any deviations for unique situations or extenuating circumstances.

We recommend School officials:

- Develop procedures to ensure a competitive process is used to procure goods and services not addressed in the current policy.
- Seek competition and obtain quotes for purchases, as required by the policy and as recommended in the procurement procedures.

## **7. Fixed Asset/Inventory**

Charter school officials routinely purchase supplies and equipment, and therefore, should have established policies and procedures on how inventory will be maintained and when the physical inventory will be completed.

The *Storefront Academy Charter School South Bronx Financial Policies and Procedures Manual - Capitalization Policy* states, "The School will capitalize items with an acquisition cost of \$1,000 or more and useful life greater than one year. Federal award purchases of \$5,000 or more per unit and useful life greater than one year will be capitalized. These items are also subject to the School's depreciation policy, outlined below. In instances where a large quantity of one single item is purchased, if the total value exceeds the \$1,000 threshold, the items may be capitalized. For example, if a School buys 100 desks at \$250 per desk, each single item would not meet the threshold. Together, however, these 100 desks have a combined value of \$25,000, which will be capitalized."

In accordance with the *Storefront Academy Charter School South Bronx Financial Policies and Procedures Manual - Asset Tracking Process*, "Upon receiving any property that qualifies as a fixed asset, the Director of Finance is responsible for recording the following into the Fixed Asset Tracking List:

1. Asset tracking number as designated by the School;
2. Asset name, use, condition and description;
3. Classification (i.e., land, building, equipment, betterment, leasehold improvements, furniture, computer hardware and software);
4. Serial number, model number, or other identification;
5. Indicate if the title vests with the governmental agency, if required;
6. Vendor name and acquisition date or date placed in service;
7. Location of the equipment;
8. Purchase Value;
9. Disposal Date and Reason; and
10. Specify dollar amount of any asset purchased with grant funds.



Each item is also physically tagged in a visible area on the item and with an indication of whether the item belongs to the School or a governmental agency (i.e. purchased with grants such as Department of Youth and Community Development).

No employee may use or remove any of the School property, equipment, material or supplies without the prior approval of the Director of Operations or CEO.

The Director of Finance performs inventory audits every 2 years (in addition, documented inventory audit is required if assets are purchased with federal funds), verifying, and updating the data contained in the Fixed Asset Tracking List. The Fixed Asset Tracking List is reconciled to the General Ledger by the Director of Finance."

In accordance with the *Storefront Academy Charter School South Bronx Financial Policies and Procedures Manual - Depreciation Policy*, "Depreciation associated with fixed assets is calculated based on the asset's useful life using the straight-line depreciation method. Depreciation is based on the month the item was actually purchased. For instance, if the School purchased a computer in July, it would be depreciated for a full fiscal year (12 months out of 12) and recorded as such. But if the School purchased the computer in April, then it would be depreciated for just one-fourth of the fiscal year (3 months out of 12) because it would only be in service for April, May and June."

<b>Asset Category</b>	<b>Useful Life</b>
Computers	3 Years
Equipment	5 years
Furniture	7 years
Musical Instrument	5 Years
Leasehold Improvements	Shorter of: 1) the useful life of the leasehold improvements, or 2) the remaining years of the lease.

In accordance with the *Storefront Academy Charter School Financial Policies and Procedures - Disposition of Assets*, "Any item that is damaged, sold, lost or stolen will be taken out of service and written off."

School officials could not account for four out of the nine items sampled from the asset listing and did not properly maintain a detailed inventory listing of items purchased.

- The "All Laptops and Chromebooks Inventories" did not include numbers 1-3, 6-9 of the Asset Tracking Process listed above.
- The ThinkPad Laptop Inventory did not include numbers 1-3, 6-9 of the Asset Tracking Process and disposal information as listed above.
- The Board and Printer Inventories did not include numbers 1-3, 6, 8-9 of the Asset Tracking Process listed above.

One of the four items was reported as "returned", but no further information could be provided as to either its retention or disposition.

School officials did not follow their written asset tracking policies and procedures and did not maintain the necessary information required.

Without accurate and up-to-date fixed asset records and periodic inventory audits, the School cannot ensure the assets are protected from loss, waste or misuse.

### **Recommendations:**

We recommend School Officials and the Board:

- Update their policies and procedures to require annual reviews of fixed asset records to ensure they are accurate and up-to-date.
- Reconcile the "Fixed Asset Tracking List" to the general ledger periodically and fix discrepancies noted within a reasonable timeframe.
- Ensure that damaged, sold, lost or stolen items are disposed of in a manner that ensures an audit trail to the asset's status.

### **8. Food and Beverages**

Charter school officials make purchases of food and beverages for meetings, conferences and events, and therefore, should have established policies and procedures over these purchases to ensure they are reasonable, necessary and allowable.

In accordance with the *SUNY Charter Schools Institute's Financial Oversight Handbook – Purchasing and Expenditures*, "The charter school has policies which describe the circumstances when it is appropriate for providing food and beverages at meetings, training, and conferences sponsored by the charter school."

In our review, we noted that the food and beverage process lacked the necessary oversight to ensure that charges for food and beverages at meetings, events and used in the classrooms were reasonable, necessary, and allowable. Please see details below:

- Thirty-five (35) instances of unsupported transactions related to food and beverage purchases totaling \$2,376.89 over a 13-month period were included in the School's expenditures.
- Two (2) expense charges totaling \$11,722.69 were split, one of which was split over succeeding periods. If this charge was to be considered in whole, additional oversight and approval would be required from the School's Board of Trustees.
- Seventy-three (73) instances of food and beverage charges totaling \$7,351.03 were allocated to Professional Development of various forms (e.g., Leadership/Staff/Teachers).
- Sixteen (16) instances of food and beverage charges totaling \$1,608.54 were expended without any explanation or reason associated with the charges.

School officials do not have policies and procedures in place to determine when it is appropriate to provide food and beverages at meetings, trainings and conferences sponsored by the School.

Without policies and procedures in place for food and beverages, there is a likelihood that these types of expenses are not in the best interest of the school, and there is an increased risk for fraud, waste and abuse to occur.

### **Recommendations:**

We recommend the Board develop policies and procedures for determining when it is appropriate to provide food and beverages at meetings, trainings and conferences sponsored by the School.

## **9. Purchases**

Charter schools will permit the use of a credit card by certain school officials to pay for actual and necessary expenses incurred in the performance of work-related duties. Therefore, established policies and procedures are required to ensure the integrity of the purchasing and procurement process.

In accordance with the *Storefront Academy Charter School South Bronx Financial Policies and Procedures Manual – Credit Card Purchases*:

- The School maintains a credit card account in the name of the School, with cards issued to the CEO.
- All cardholders will sign and adhere to the School's Credit Card Usage Agreement.
- All credit card purchases/payments will be pre-approved via the Payment Authorization Form based on the purchasing guidelines and policies outlined previously.

The *Storefront Academy Charter School South Bronx Financial Policies and Procedures Manual – Responsibilities of Cardholder* states, "The cardholder is responsible for the safekeeping of the card, and will be held accountable to:

- Ensure that the card is used only for legitimate school purposes;
- Adhere to the Credit Card Agreement;
- Maintain original receipts, invoices, purchase documents and correspondence including all detail related to the purchases on file for audit purposes, and to provide the School with copies of such documents upon request; and
- Advise the School of any incorrect charges/transactions in order to follow-up and obtain credit from the issuing institution if warranted."

In our review, we noted there was a lack of the segregation of duties and oversight noted in the purchasing area as the CEO had sole control for the use of the credit card, including, but not limited to, conducting purchases and approving and making monthly payments. The School maintained a credit card limit between \$40,000 and \$55,000.

From July 1, 2017 – December 31, 2020, there was a total of 2,558 charges made on the Bank of America credit card. We selected 200 random transactions to test and noted the following:

Auditor Test	Testing Results
Missing/Incomplete Authorization Form	One hundred and three (103) Authorization Forms were documented but were incomplete (i.e., missing date and signatures).
Missing Receipt/Invoice	One hundred and seventy-nine (179) transactions did not have receipts.
Sales Tax paid	Ten (10) transactions with receipts had sales tax charged in the amount of \$221.99. Most of the transactions could not be verified for sales tax charged due to the lack of receipts maintained.

In addition to the 200 random transactions tested, we noted the following transactions:

- Three (3) restaurant charges contained \$782.25 in alcohol purchases.
- Ten (10) charges for an “international transaction fee” from an online marketplace retailer not based in the United States.

The School’s purchasing policy, which includes requirements for credit card use, does not contain provisions for monitoring use and ensuring compliance with the purchasing policy. As a result, the CEO was able to circumvent the existing policy requirements and make unsubstantiated credit card purchases.

Credit cards provide a convenient method for making small one-time purchases. However, when credit card use is not properly controlled and monitored or officials are allowed to circumvent existing policies, there is an increased risk that inappropriate and wasteful spending may occur.

### **Recommendations:**

We recommend the Board:

- Update the purchasing policy or adopt a written credit card policy to address monitoring and controlling credit card use. The policy should establish an appropriate approval and review process to ensure required supporting documentation is retained and purchases are approved prior to payment.
- Develop criteria for misuse of the School's credit card, such as revoking card privileges and requiring repayment of questionable purchases.
- Require the use of a tax-exempt form for both in-person and online purchases.

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## **Contributors to the Report**

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- James Kampf, Director of Audit Services
- Jeanne Day, Audit Manager
- Zubair Khan, Auditor-in-Charge
- Althea Medford, Auditor-in-Charge
- Michael Chaires, Auditor-in-Charge
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October 2, 2023

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## **NYSED Finding: Storefront Academy Charter School Response**

### **Finding 1 - Personnel File**

Corrective Action: Updated school's record retention policy, implemented controls to maintain each personnel file pursuant to policy, schedule to review files periodically for compliance, perform performance evaluations and maintain records of annual offer letters noting salary increases.

### **Finding 2 - Travel**

Corrective Action: The school has articulated our Travel Expense policy clearly in our FPP.  
 Travel Expenses

- All travel arrangements and expenses, will be pre-approved by the DOF (The Board Chair/Treasurer will approve the CEO's travel arrangements.)
- All pre-approved travel arrangements will be purchased or reimbursed by the School.
- Expectations for daily expenses or per diem allowances will be determined prior to the employee's trip.
- Receipts are required for all expenditures requiring reimbursement.
- Approved Expense reports will be submitted to the Director of Finance for processing.

### **Finding 3 - Hardware**

Corrective Action: Capital Assets are now tagged, tracked and inventoried.

### **Finding 4 - Billing**

Corrective Action: School implemented a Bill.com platform for invoice and purchase monitoring, with approval flows pursuant to our FPP. Bills cannot be paid without appropriate approvals. Statements are saved on a cloud-based solution so multiple people have access.



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#### **Finding 5 - Vendor Conflict of Interest**

Corrective Action: School will no longer do business with organizations owned / operated by employees, employees will sign a code of ethics at the start of every year, and a purchase approval tracker is being implemented.

#### **Finding 6 - Competitive Bidding**

Corrective Action: The school revised the procurement policy in our FPP:

For items purchased with Federal funding, three competitive quotes are required for goods and services over \$3,000

- For items purchased with non-Federal funding, competitive bids are required for goods and services over \$20,000.

School will also take advantage of state contract pricing extended to charter schools.

#### **Finding 7 - Fixed Asset Schedule**

Corrective Action: School will update FPP to properly reflect fixed depreciation, and will maintain an accurate fixed asset schedule updated monthly for review by executive leadership.

#### **Finding 8 - Food and Beverages**

Corrective Action: The school has restricted the food & beverages budget. Food & Beverage budgets are to support the staff in professional development and foster camaraderie among all employees. Catered lunches and breakfasts are to be used sparingly and with intention.

#### **Finding 9 - Purchasing**

Corrective Action: The school reduced the number of card holders, updated and enforces its credit card policy, updated its purchasing policy, and implemented a purchase and approval tracking tool to eliminate unapproved purchases; and track expenditures in real time.

Thank you for bringing these opportunities to improve our Fiscal Policies and Procedures. We have enacted all suggestions.

Sincerely,

A handwritten signature in black ink, appearing to read "Alison Davis Curry".

Alison Davis Curry  
Interim Executive Director



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