



Southwestern Central School District Claims Processing

Report of Examination

Period Covered:

July 1, 2014 – July 11, 2016

2016M-356



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Southwestern Central School District, entitled Claims Processing. This audit was conducted 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.

This audit's results are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Southwestern Central School District (District) is located in the Towns of Busti, Ellicott and Harmony in Chautauqua County. The District is governed by an elected seven-member Board of Education (Board), which is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The District operates three schools with approximately 1,500 students and 205 employees. The District's budgeted appropriations for the 2016-17 fiscal year total \$26.6 million, which are funded primarily with real property taxes, State aid and grants.

During our audit period, the District paid more than 6,000 general fund claims totaling approximately \$17.7 million. The Board-appointed claims auditor is responsible for examining all claims or demands against the District and has the authority to authorize or reject payment.

Objective

The objective of our audit was to review the District's claims processing function. Our audit addressed the following related question:

- Did the claims auditor ensure claims were adequately supported and properly audited prior to payment and in compliance with District policies?

Scope and Methodology

We examined the District's claims processing function for the period July 1, 2014 through July 11, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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.

Comments of District Officials

The results of our audit have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our report.

Claims Processing

An effective system for claims processing ensures that claims against the District contain enough supporting documentation to determine whether the amounts claimed represent actual and necessary expenditures, the goods or services were actually received, were properly authorized and complied with District policies. With some exceptions, Education Law requires the Board to audit all claims¹ before they are paid or to appoint a claims auditor to assume the Board's powers and duties for examining and approving claims. A proper claims audit ensures District resources are properly safeguarded and used only for valid authorized purposes.

The Board delegated its responsibility to a claims auditor who generally ensured claims were adequately supported, properly audited before payment and in compliance with District policies. The claims auditor verified that claims were supported by original documentation such as detailed invoices or receipts and that each claim had been properly authorized. Additionally, the claims auditor ensured there was evidence within the claims packets indicating that the District actually received the goods or services described in each claim.

We reviewed 55 general fund claims totaling \$820,952 (5 percent of the total dollar amount of claims paid during our audit period)² to determine if these claims were properly supported, audited and approved and contained sufficient evidence that goods were received or services were rendered. Except for minor discrepancies that we discussed with District officials, all claims we reviewed were adequately supported, properly authorized and for valid District purposes.

We commend the claims auditor and encourage the Board and District officials to continue with their efforts in ensuring that the claims audit process is working as intended.

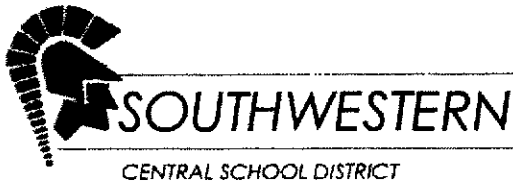
¹ The Board can adopt a resolution authorizing the payment of certain claims prior to audit. These include claims for public utility services, postage, freight and express charges.

² See Appendix B for further information on our methodology.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page.



Office of the Superintendent
600 Hunt Road, W.E., Jamestown, NY 14701
(716)484-1136 Fax (716)488-2442

November 30, 2016

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

Dear Mr. Mazula,


On behalf of the Southwestern Central School District, we would like to thank your office for the assistance we received from your staff in the assessment of our financial management practices regarding Claims Processing.

The District has reviewed the Report of Examination for the period of July 1, 2014-July 11, 2016 and is in agreement with the report.

We would like to thank you for the opportunity to respond to your report and would like to extend our gratitude to your staff for their professionalism and suggestions provided during the examination process.

Sincerely,


Maureen E. Donahue
Superintendent


James Butler
Board of Education President

cc: Annette Rhebergen, School Business Official

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We reviewed Board minutes, interviewed District officials and the claims auditor and reviewed District policies to gain an understanding of the District's claims auditing process.
- We judgmentally selected a sample of 55 claims from the District's disbursement records, based on payment amounts, vendor names and purchase descriptions.
- We reviewed all invoices and supporting documentation on file, including requisitions, purchase orders, vouchers and vendor invoices for the selected claims to determine if they were properly supported, audited and approved and contained sufficient evidence that goods were received or services were rendered.
- We reviewed all procurement documentation on file for the selected claims and interviewed District officials to determine if these goods and services were procured in compliance with the procurement policy.

We conducted this performance audit in accordance with 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.

APPENDIX C

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