REPORT OF EXAMINATION | 2019M-31

Elwood Union Free School District

Claims Auditing

APRIL 2019

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

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Report Highlights

Elwood Union Free School District

Audit Objective

Determine whether systems were in place to ensure that claims were adequately documented, were for appropriate purposes and were properly audited and approved prior to payment.

Noteworthy Achievements

Due to the District's well designed system of internal controls, we designed our testing to determine if these procedures were being followed consistently. We reviewed 110 claims totaling $414,749 of the 1,104 claims paid during our audit and found that the control procedures were followed for the selected claims to ensure they were adequately documented, were for appropriate purposes and were properly audited and approved prior to payment.

District officials implemented a well-designed system of internal controls over the claims audit process. There were no recommendations as a result of this audit.

Background

The Elwood Union Free School District (District) serves part of the Town of Huntington in Suffolk County. An elected five-member Board of Education (Board) is responsible for managing the District's financial and educational affairs. The School Superintendent is responsible, along with other administrative staff, for the District's day-to-day management.

The Board has delegated its claims auditing responsibility to a claims auditor. The claims auditor reports directly to the Board and is responsible for examining, and allowing or rejecting, all accounts, charges, claims or demands against the District.

Quick Facts	
Employees	648
Enrollment	2,210
2017-18 Expenditures	$59.6 million

Audit Period

July 1, 2017-June 30, 2018

Claims Processing

What is an Effective Claims Audit Process?

New York State Education Law requires a board to audit all claims before they are paid or to appoint a claims auditor to assume the board's powers and duties to examine and approve or disapprove claims. An effective claims process ensures that every claim against the district is subjected to an independent, thorough and deliberate review prior to authorizing payment; that the claim contains adequate supporting documentation to determine whether it complies with statutory requirements and district policies; and that the amounts claimed present actual and necessary district expenditures. By requiring adherence to statutory requirements and district procurement policies there is assurance that appropriate competitive procedures were followed in making the purchase. Furthermore, establishing and adhering to effective claims auditing procedures decreases the risk that errors or irregularities in processing and paying claims could occur and not be detected in a timely manner.

The District Has an Effective Claims Audit Process

District officials have established adequate procedures to ensure that claims are adequately documented and supported, are for appropriate purposes and are audited and approved prior to payment. The claims auditor conducts a thorough examination of each claim to determine whether it was for appropriate District purposes, the goods or services were received and the claim is adequately documented and supported (i.e., with an itemized invoice, purchasing requisition, purchase order and documentation of receipt of goods or services).

The District provides the claims auditor with the claims packets for the review and approval process. The claims audit process requires completion of a voucher packet checklist and, once the claims and warrant have been reviewed and approved, the completed checklist is attached to the warrant. The checklist verifies that:

- All purchase orders and draft orders were attached,
- The purchase orders were pre-numbered,
- All checks on the warrant are in sequence,
- The purchasing agent signed all purchase orders,
- Each purchase order date precedes the corresponding invoice date, and
- The receiving agent (or authorized employee) signed the receiving copy indicating work and/or materials delivered to the District are satisfactory and complete.

The claims auditor also verifies that the address on the purchase order matches the invoice and receiving copy, the appropriate detailed back-up and/or the

original receipts are attached and the attached invoice is an original and not a fax or photocopy.

Once the claims auditor has completed the review of claims and the warrant, the claims auditor stamps each claims packet "approved" and signs or initials each before returning the claims to the Treasurer with the approval for payment. If the claims auditor identifies any exceptions while reviewing the claims (e.g., incorrect name or address, missing documentation, invoice discrepancies, no purchase order or tax included), the claims auditor questions the District and requires a corrective action plan, or additional documentation. Once corrective action has been taken, claims with exceptions are resubmitted to the claims auditor and approved for release. The claims auditor lists all exceptions and corrective actions in a monthly report to the Board.

Control procedures were followed for the processing of claims.

Due to the District's well designed system of internal controls, we performed testing designed to determine if these procedures were being followed consistently. We reviewed 110 claims totaling $414,749 of the 1,104 claims[1] paid during our audit and found that the control procedures were followed for the selected claims to ensure they were adequately documented, were for appropriate purposes and were properly audited and approved prior to payment.

Conclusion

District officials implemented a well-designed system of internal controls over the claims audit process.

1 The random sample was taken from 1,104 claims, totaling $5,617,948, that were identified after excluding certain lower risk payments from the total non-payroll general fund claims paid. See Appendix B for more information on our sampling methodology.

Appendix A: Response From District Officials

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Board of Education
Julia Fried, President
James Tomeo, Vice President
Heather Mammolito, Member
Rebecca Marcus, Member
Deborah Weiss, Member

Lorraine Dunkel
Assistant Superintendent for Business

Kenneth R. Bossert, Ed.D.
Superintendent of Schools

March 26, 2019

Via US Mail

Ian McCracken, Chief Examiner
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788 - 5533

RE: Elwood Union Free School District
Claims Auditing 2019M-31

Dear Mr. McCracken:

The Elwood Union Free School District is in receipt of the draft audit report, Claims Auditing 2019M-31, prepared by the Office of the New York State Comptroller.

We are pleased that as a result of the audit, there were no recommendations. The District has worked hard to develop the current system of internal controls and procedures and plans on continuing said procedures in order to maintain our integrity.

In closing, we would like to thank you for the high level of professionalism and thoroughness that your staff brought to the District during the audit process.

Should you need any additional information, please do not hesitate to contact me.

Sincerely,

Lorraine Dunkel
Assistant Superintendent for Business

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in 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 staff to determine the process for the audit, approval and payment of claims.
- We reviewed and evaluated the District's claims audit policies and procedures.
- We reviewed the claims auditor's responsiblities document, to gain an understanding of the responsibilities and the process of the external claims auditor.
- From the 7,704 non-payroll claims totaling $22,658,743 that were paid during our audit period, we excluded 6,600 claims totaling $17,040,795 representing payments for utilities, professional services, Western Suffolk Board of Cooperative Education Services and other school districts, special education services, Medicare reimbursements, insurance and retirement system contributions, as these types of payments are at low risk of containing inappropriate purchases. From the remaining population of 1,104 claims totaling $5,617,948, we randomly selected a sample of 110 claims (10 percent) totaling $414,749. We reviewed these claims to determine whether they were adequately documented, were for appropriate purposes and were properly audited and approved prior to payment.

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.

Appendix C: Resources and Services

Regional Office Directory
www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas
www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems
www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management
www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans
www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders
www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller
www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers
www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics
www.osc.state.ny.us/localgov/academy/index.htm

Contact

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