



Whitesboro Central School District Claims Auditing

Report of Examination

Period Covered:

July 1, 2014 – December 31, 2015

2016M-115



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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 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 Whitesboro School District, entitled Claims Auditing. 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 a resource 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 Whitesboro Central School District (District) is located in the Towns of Whitestown, Deerfield, Marcy and Trenton in Oneida County and the Town of Schuyler in Herkimer County. The District is governed by the Board of Education (Board), which is composed of seven elected members. The Board 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 day-to-day management of the District under the Board's direction.

The District operates six schools with approximately 3,300 students and 500 employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$63 million, which are funded primarily with State aid, sales tax, real property taxes and grants.

Objective

The objective of our audit was to examine the District's claims audit process. Our audit addressed the following related question:

- Were claims for appropriate purposes and adequately supported, audited and approved prior to payment?

Scope and Methodology

We examined the District's claims audit process for the period July 1, 2014 through December 31, 2015.

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 findings.

Claims Auditing

New York State Education Law requires the 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 processing system ensures that all claims are subjected to an independent, thorough and deliberate review. Such a review should ensure that every claim contains enough supporting documentation to determine whether it complies with statutory requirements and District policies and the amount represents an actual and necessary District expenditure. In addition, it is important for the Board to determine whether the claims are properly itemized and supported and approved prior to payment.

The Board appointed a claims auditor and adopted a claims auditing policy¹ establishing procedures for auditing claims. The policy requires the claims auditor to report directly to the Board regarding the claims audit results. The claims auditor is required to examine all claims for adequate evidence to support the District's expenditures. The policy also requires that the Treasurer pay valid claims against the District only upon the claims auditor's approval.

The account clerk for purchasing (account clerk) is responsible for retrieving vendor invoices from the mail, identifying the purchase order number affixed on the invoice and placing the invoices with the corresponding purchase orders on file in her office. The District processes claims for payment twice per month and has established processing deadline dates for each cycle.² The account clerk reviews the assembled claims packets and highlights the invoice amounts and invoice numbers to be entered into the accounting software application.

The account clerk periodically submits assembled claims packets to the accounts payables clerk³ until the processing deadline. The account clerk informs the accounts payables clerk of the processing deadline, and the accounts payable clerk creates a file to print checks once the deadline passes. The accounts payable clerk submits the unsigned checks and stubs to the account clerk to review and ensure that the

¹ The claims auditing policy (Policy 4403 – Auditing Claims for Payment) was adopted in 2005, revised in July 2010 and reviewed in July 2015.

² These deadline dates are established cut off dates within the processing cycle. All supporting documentation must be submitted by the dates for a claim to be processed and paid.

³ The accounts payables clerk is responsible for the input of accounts payable data into the accounting application.

check amounts are accurate and correspond with the vouchers. The account clerk then sends the claims packets and warrant to the claims auditor for review and approval.

Once the claims auditor approves the claims, the Treasurer signs the checks and the accounts payable clerk mails them to the payees. The claims auditor provides the Assistant Superintendent for Business and the Treasurer a report that includes the check sequence for each fund, deficiencies identified and necessary corrections required for approval, if applicable. The report is on file in the Assistant Superintendent's office for the Board's review, and the claims auditor is available to respond to questions from the Board regarding the claims audit.

We judgmentally selected and reviewed 75 claims totaling \$3.0 million⁴ to determine whether each claim was for appropriate District purposes, adequately supported, audited and approved prior to payment. We reviewed 50 general fund claims totaling \$822,000 and 25 capital fund claims totaling \$2.2 million. We found that the claims were for appropriate purposes and were adequately supported, audited and approved prior to payment.

We commend District officials for implementing an effective claims audit process.

⁴ Refer to Appendix B for further information on our sample selection.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

WHITESBORO CENTRAL SCHOOL DISTRICT

**Superintendent's Office
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Whitesboro, NY 13492**

Dave Langone
Superintendent of Schools

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June 3, 2016

[REDACTED]
NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, NY 12801

RE: Response of Report of Examination – Claims Auditing

Dear [REDACTED]

This letter serves as the Whitesboro Central School District's official response to the NYS Comptroller's audit for the period of July 1, 2014 – December 31, 2015 for the purpose of examining the District's Claims Auditing Process.

After review of seventy-five claims totaling \$3.0 million, your office found that all claims examined were for "appropriate purposes and were adequately supported, audited and approved prior to payment." As your audit has commended the District for implementing effective claims audit processes, the District will not prepare a Corrective Action Plan for this audit.

The Whitesboro Central School District, Board of Education, and its entire staff have worked hard to ensure that policies and procedures are followed in every area of its financial operations.

The Whitesboro Central School District would like to thank the examiners for the professionalism shown throughout the audit process. We take great pride our work at Whitesboro and will continue to review our practices to maintain appropriate controls and accountability over the financial operations.

Sincerely,

[REDACTED]
David Langone,
Superintendent of Schools

PAM
C: File

"To Inspire, Cultivate and Empower all Learners to Maximize their Potential"

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the District's claims audit process for the period July 1, 2014 through December 31, 2015. To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials to gain an understanding of the claims auditing process.
- We obtained and reviewed Board meeting minutes, warrants and the Board's claims auditing policy.
- We judgmentally selected a total of 75 claims totaling \$3,057,734, composed of 50 general fund claims totaling \$822,028 and 25 capital fund claims totaling \$2,235,706. Our selection was based on the total amounts the District paid the vendors for operating and capital project expenditures during our audit period.
- We reviewed the sample of claims to determine if they were for legitimate District purposes and were adequately supported, audited and approved prior to payment.

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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