



Elizabethtown-Lewis Central School District Claims Processing

Report of Examination

Period Covered:

July 1, 2014 — September 30, 2015

2015M-297



Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials	2
CLAIMS PROCESSING	3
APPENDIX A Response From District Officials	5
APPENDIX B Audit Methodology and Standards	7
APPENDIX C How to Obtain Additional Copies of the Report	8
APPENDIX D Local Regional Office Listing	9

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 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 Elizabethtown-Lewis 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 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 Elizabethtown-Lewis Central School District (District) is located in the Towns of Chesterfield, Lewis and Westport in Essex County. The District is governed by the Board of Education (Board) which is composed of five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) 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 Treasurer (Treasurer) is responsible for maintaining the District's accounting records and reports.

The District operates one school with approximately 240 students and 60 employees. The District's budgeted general fund appropriations for the 2015-16 fiscal year are \$8 million, which are funded primarily with State aid and real property taxes.

The Board designated a claims auditor for the 2014-15 and 2015-16 fiscal years. The claims auditor reports directly to the Board and is responsible for formally examining and allowing or rejecting claims submitted to the District.

Objective

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

- Did the District ensure that claims were for appropriate purposes, adequately supported, audited and approved prior to payment and in accordance with New York State Education Law?

Scope and Methodology

We examined the District's claims processing for the period July 1, 2014 through September 30, 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 is included in Appendix B of this report.

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 Processing

An effective system for claims processing ensures that every claim against the District contains enough supporting documentation to determine whether the amounts claimed represent actual and necessary expenditures, and whether the goods or services being billed for were actually received. New York State Education Law (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. The claims auditor should review detailed receipts to determine whether the claims are properly itemized and supported and whether the District received the goods or services. With specific exceptions, Education Law requires all claims to be audited before payments can be made.

District officials have established adequate procedures over the claims processing function to ensure that claims were for appropriate purposes, adequately supported, and audited and approved prior to payment. The Board has delegated its claims auditing responsibility to a claims auditor. The claims auditor examines all claims to determine whether they are for appropriate District purposes, whether the goods or services being billed for were actually received, and whether the claims are adequately supported (i.e., with an itemized invoice, purchasing requisition, purchase order and documentation of receipt of goods or services). All claims and supporting documentation are compiled by the accounts payable clerk and submitted to the claims auditor for review on a weekly basis. The accounts payable clerk also prepares the warrant (list of claims) and submits it to the claims auditor with the claims.

Once the claims auditor has completed her review, she initials each claim and signs the warrant to indicate the approved claims. The claims auditor then sends an email to the Treasurer stating that the claims listed on the warrant were reviewed and approved for payment. The claims auditor then sends the Superintendent the approved warrant and a report detailing the date the warrant was approved, the total amount of claims paid, and the check numbers used to pay the claims. After the Superintendent completes his review and signs the warrant, the claims auditor sends the signed warrant to the Treasurer, who also signs the warrant and includes a summary of claims paid as part of her monthly report to the Board.

We randomly selected 50 checks totaling \$233,461 paid during our audit period¹ and reviewed them to determine whether they were

¹ The District paid 2,842 claims, totaling \$5.3 million, during the audit period. See Appendix B for additional information on our test sample selection.

supported with claims that contained sufficient itemization of the goods or services acquired, adequate supporting documentation, authorization by the District's purchasing agent and whether they were for a legitimate District purpose. We also ensured that the claims were audited and approved by the claims auditor prior to payment. Except for minor issues which we discussed with District officials, we found that the claims were for legitimate District purposes and were properly audited prior to payment.

We commend District officials for establishing and implementing effective procedures over the District's claims processing function.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



ELIZABETHTOWN-LEWIS CENTRAL SCHOOL DISTRICT

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January 20, 2016

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, NY 12801-4396

Re: Response of Report of Examination 2015M-297

Dear Mr. Leonard:

The Elizabethtown-Lewis Central School District Board of Education and Administration acknowledge the final **Report of Examination** of your audit focused on our Claims Processing pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's Authority as set forth in Article 3 of the General Municipal Law.

The Board of Education and Administration have reviewed the final report and **concur** with its findings.

On behalf of the Board and Administration, we extend 'thank you' to the Field Auditors and staff involved with the examination of our financial operations. Field Auditors conducted themselves in a professional and courteous manner while on-site in Elizabethtown and at our business office at the Franklin-Essex-Hamilton BOCES; we're appreciative of their efforts and the professional information and advisement they provided during the audit period.

Sincerely,

Scott J. Osborne
Superintendent of Schools



"Elizabethtown-Lewis Central School, in partnership with our Adirondack community, will provide excellence in education that enables all students to achieve their full potential in an ever-changing world."

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to review internal controls over the District's claims audit process during the period July 1, 2014 through September 30, 2015. To accomplish our audit objective and obtain valid evidence, our procedures included the following:

- We interviewed District officials and employees to gain an understanding of the District's procedures for auditing claims.
- Using a computerized spreadsheet function, we randomly selected 50 check numbers from the total population of 1,525 checks for our sample, with the lower and upper bounds being the first and last check written during our scope period.
- We reviewed each check in conjunction with the voucher packet, warrant and bank statement to determine if the claim was mathematically accurate, a purchase order was included in the voucher packet, evidence of receipt was included in the voucher packet, and the claim was for a proper District purpose and to determine whether the claim included a duplicate payment. We also reviewed each claim in the sample to determine if it was audited and if the audit was performed 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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