



# Nassau County Board of Cooperative Educational Services

## Claims Auditing

### Report of Examination

Period Covered:

July 1, 2014 – January 31, 2016

2016M-164



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

June 2016

Dear Board of Cooperative Educational Services (BOCES) Officials:

A top priority of the Office of the State Comptroller is to help BOCES officials manage BOCES resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support BOCES operations. The Comptroller oversees the fiscal affairs of BOCES statewide, as well as BOCES' 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 BOCES operations and Board of Education governance. Audits also can identify strategies to reduce BOCES costs and to strengthen controls intended to safeguard BOCES assets.

Following is a report of our audit of the Nassau County BOCES, 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 BOCES 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 Nassau County Board of Cooperative Educational Services (BOCES) is an association of 56 component school districts. BOCES is governed by a nine-member Board of Education (Board) elected by the component districts' boards. The Board is responsible for the general management and control of BOCES' financial and educational affairs. The District Superintendent is BOCES' chief executive officer and is responsible, along with other administrative staff, for BOCES' day-to-day management and for regional educational planning and coordination. According to statute, the District Superintendent is an employee of both the appointing BOCES and the New York State Education Department. As such, the District Superintendent also serves as a representative for the New York State Commissioner of Education.

Combined, the component districts educate more than 202,000 students in Nassau County, with approximately 18,500 students attending BOCES programs. BOCES delivers approximately 100 educational and administrative services to its component school districts and employs more than 2,500 staff members. BOCES' general fund expenditures for the 2014-15 fiscal year totaled approximately \$313 million and were funded primarily by charges to school districts for services and State and federal aid. Budgeted appropriations for the 2015-16 fiscal year are approximately \$313 million.

The claims auditor, Treasurer and accounts payable clerks are largely responsible for processing BOCES claim payments. The Board appointed a claims auditor who is responsible for formally examining and approving or rejecting all charges, claims or demands against BOCES. The claims auditor is also responsible for reviewing the claims to ensure they have adequate support and proper approvals and that the purchases are for proper BOCES purposes and is responsible for certifying the warrant providing authorization for the Treasurer to pay the claimants. The accounts payable clerks process and print all nonpayroll checks.

## Objective

The objective of our audit was to review BOCES' claims auditing process. Our audit addressed the following related question:

- Did the claims auditor properly review claims to ensure that they were accurate, properly supported and for legitimate BOCES purposes?

**Scope and  
Methodology**

We examined BOCES' claims auditing process for the period July 1, 2014 through January 31, 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 relevant population size and the sample selected for examination.

**Comments of BOCES  
Officials**

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

## Claims Auditing

The Board is responsible for auditing and approving all claims prior to payment. This responsibility can be delegated to a claims auditor to act on the Board's behalf. The claims audit should be a deliberate and thorough process to ensure each claim contains sufficient supporting documentation to verify compliance with Board-adopted policies or statutory requirements and that each claim is for a proper BOCES purpose. Furthermore, checks should not be signed prior to the claims being reviewed and approved for payment.

BOCES officials have established adequate controls over the claims processing function that allow claims to be audited in a timely manner in accordance with BOCES' policy and New York State Education Law. The Board delegated its responsibility to a claims auditor and established a claims auditing policy to provide guidance to the claims auditor. The policy requires the claims auditor to perform a thorough audit of claims verifying that claims are properly itemized and supported and whether the BOCES has actually received the goods or services described in each claim by reviewing detailed receipts before the Treasurer pays claims.

Prior to a check being signed, the claims auditor routinely reviews each claim to ensure it is for a valid and legal BOCES purpose, the items or services for which payment is claimed were received or rendered and the purchase was initiated by an authorized BOCES official. The claims auditor also routinely ensures that each claim is in the proper form, mathematically correct, does not represent a previously paid claim and is in agreement with the originating purchase order. Upon completion of his audit, the claims auditor signs each claim and signs and dates the warrant to approve payment of claims. The warrant is then provided to both the Board and the Treasurer so that checks can be signed and distributed to vendors.

BOCES made 22,236 claims for disbursements totaling \$260.1 million during our audit period. We reviewed 88 of these disbursements, which paid for 177 claims totaling approximately \$2 million to determine if they contained sufficient documentation and were properly authorized and approved, sufficiently itemized and for valid business purposes.<sup>1</sup> Except for minor issues that we discussed with BOCES officials, we found that claims were properly authorized, approved and audited before payment, appropriately supported and for legitimate BOCES purposes.

We commend BOCES officials for establishing and implementing an effective system of controls over claims processing.

<sup>1</sup> See Appendix B for more information on our sampling methodology.

## **APPENDIX A**

### **RESPONSE FROM BOCES OFFICIALS**

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

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June 7, 2016

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Hauppauge, NY 11788-5533

Re: Nassau County Board of Cooperative Educational Services  
Claims Auditing Report of Examination 2016M-164  
July 1, 2014 – January 31, 2016

Dear Mr. McCracken:

The Board of Cooperative Educational Services of Nassau County is in receipt of the above referenced draft report of the recent audit conducted by your office. We have reviewed the report and concur with its content.

We are proud of the positive feedback that we received from your office regarding the effective system of controls over claims processing.

We wish to thank the members of the Office of the State Comptroller's audit team for performing the audit in a professional and courteous manner. The audit report does not contain any adverse findings or recommendations so no corrective action plan is required with this response.

Sincerely,

Dr. Robert R. Dillon  
District Superintendent

Eric B. Schultz, Esq.  
Board President

RRD:EBS/ts

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## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed BOCES staff to gain an understanding of the claims auditing process and purchasing procedures.
- We reviewed BOCES' policies and procedures over claims auditing and purchasing.
- From a list of 22,236 disbursements totaling about \$260.1 million BOCES paid during our audit period, we judgmentally selected a sample of 100 disbursements to review. We reordered the list alphabetically by vendor and randomly chose a number between one and 222 as both a starting point and interval. We selected every 203<sup>rd</sup> disbursement until we had a total of 98 items for our sample. We then judgmentally selected one credit card payment and one food catering payment for a total of 100 items for our sample. During the course of fieldwork, we identified and omitted 12 Medicare reimbursements from our sample and ultimately reviewed 88 disbursements composed of 177 claims totaling \$2 million.
- We reviewed these individual claims to determine whether each claim voucher was certified by the purchasing agent, the purchase was approved before it was executed, the supporting documentation included in the claims packet was sufficient, the goods or services were received, the voucher was audited by the claims auditor and the expenditure was for a valid BOCES purpose.

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.

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