



Remsenburg-Speonk Union Free School District

Claims Processing

Report of Examination

Period Covered:

July 1, 2011 — January 31, 2013

2013M-128



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2013

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 Remsenburg-Speonk Union Free 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 Remsenburg-Speonk Union Free School District (District) is located in the Town of Southampton, Suffolk County. The District is governed by a Board of Education (Board) which comprises 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 District management under the Board's direction.

The District operates one school for kindergarten through sixth grade with approximately 170 students and 59 employees. Approximately 210 students in grades 7 through 12 attend neighboring school districts. For the fiscal year ended June 30, 2012, the District spent \$12.1 million, which includes \$4.7 million for tuition costs for the grade 7 through 12 students. Appropriations budgeted for the 2012-13 fiscal year are \$12.3 million, of which \$5.2 million is budgeted for middle and high school tuition costs. District expenditures are funded primarily by property taxes, State aid, and grants.

The Board created the position of school claims auditor in 2009. By creating this position, the Board delegated its authority to audit claims to the claims auditor. The claims auditor reports directly to the Board and is responsible for formally examining and allowing or rejecting all accounts, charges, claims, or demands against the District.

Objective

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

- Are claims audited in a timely manner and properly supported?

Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial condition and oversight, control environment, cash receipts and disbursements, purchasing, claims processing, payroll and personal services, and information technology. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in the claims processing area and,

therefore, we examined internal controls over claims processing for the period July 1, 2011, to January 31, 2013.

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.

Claims Processing

Education Law requires the Board to audit all claims before they are paid,¹ or to appoint a claims auditor to assume the Board's powers and duties to examine and approve or disapprove claims. The Board has delegated the responsibility to audit District claims to a claims auditor. An effective claims processing system ensures that every claim against the District is subjected to an independent, thorough, and deliberate review, and contains enough supporting documentation to determine whether it complies with statutory requirements and District policies, and that the amounts claimed represent actual and necessary District expenditures. Conducting a proper claims audit prior to payment is an integral part of internal controls over the District's payment of claims. In addition, it is important for the claims auditor to determine whether the claims are properly itemized and supported and whether the District has actually received the goods and/or services described in each claim.

District officials have established adequate controls over the claims processing function that allow claims to be audited in a timely manner and that ensure the claims are properly supported. The claims auditor has written guidelines to follow which require the claims auditor to examine all claims for the availability of funds for the account code being charged and for the adequacy of evidence that the goods have been received or the services provided. The claims auditor is also required to provide a standardized monthly report to the Board.

During our audit period, the District processed 1,460 claims totaling \$12,116,531. We selected 20 claims totaling \$151,274² for the period July 1, 2011, to January 31, 2013, and reviewed the claims for proper documentation, authorization, itemization of the goods or services, and existence of accompanying receipts. We also reviewed the 20 claims to ensure they were for legitimate District purposes and were audited and approved by the claims auditor prior to payment. Our examination revealed only minor deficiencies, which we discussed with District officials.

¹ The Board may, by resolution, authorize payment in advance of audit for claims for public utility services (electric, gas, water, sewer, and telephone), postage, freight, and express charges. However, the claims for such prepayments must be presented at the next regular Board meeting for audit.

² We judgmentally selected the 20 highest checks between \$5,000 and \$10,000 during the audit period.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Remsenburg - Speonk U.F.S.D.

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June 19, 2013

Ira McCracken, Chief Examiner
Division of Local Government and School Accountability
State of New York
Office of the State Comptroller
New York State Office Building, Room 3A-10
250 Veterans Memorial Highway
Hauppauge, New York 11788

Re: Response to Claims Processing, Report of Examination 2013M-128

Dear Mr. McCracken,

On behalf of the Remsenburg-Speonk UFSD, I would like to respond with regard to the report of examination from the audit of our internal controls conducted from February through June, 2013. I would like to commend the team for the highly professional and nonintrusive manner in which they conducted their important work.

We are in receipt of the Report of Examination and recommendations for the period covered: July 1, 2011 – January 31, 2013. The Remsenburg-Speonk School District welcomes this feedback to ensure proper controls are firmly established. Please be assured the District is in the process of correcting the minor deficiencies discussed in our exit conference with your examiner.

Once again, I thank you for your professionalism and assistance in ensuring the fiscal integrity of our school district. If I can be of further help, please feel free to contact me at any time.

Sincerely,

Ronald M. Masera, Ed.D.
Superintendent

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by District officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial condition and oversight, control environment, cash receipts and disbursements, purchasing, claims processing, payroll and personal services, and information technology.

During the initial assessment, we interviewed District officials, performed limited tests of transactions, and reviewed pertinent documents, such as District policies and procedures manuals, Board minutes, and financial records and reports. In addition, we obtained information directly from the computerized financial databases and then analyzed it electronically using computer-assisted techniques. This approach provided us with additional information about the District's financial transactions as recorded in its databases. Further, we reviewed the District's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft, and/or professional misconduct. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided on the reported objective and scope by selecting for audit the area most at risk. We selected claims processing for further audit testing.

During the audit, we examined the District's records and reports for the period July 1, 2011, to January 31, 2013. To accomplish the objective of the audit and obtain valid audit evidence, our procedures included the following steps:

- We interviewed District staff and reviewed the District's policies and procedures for claims processing.
- We reviewed Board meeting minutes.
- We reviewed District contracts, budgets, and financial statements.
- We judgmentally selected 20 claims from a listing of claims paid during our audit period for review. We reviewed the claims for proper documentation, authorization, itemization of the goods or services, and accompanying receipts. We also reviewed the claims to ensure they were for legitimate District purposes and audited and approved for payment by the claims auditor.

We conducted this performance audit in accordance with generally accepted government auditing standards (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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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Andrew A. SanFilippo, Executive Deputy Comptroller
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