



Central Square Central School District Claims Auditing

Report of Examination

Period Covered:

July 1, 2014 – March 31, 2016

2016M-292



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 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 Central Square 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 and recommendations 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 Central Square School District (District) is located in the Towns of Amboy, Constantia, Hastings, Mexico, Palermo, Parish, Schroepel and West Monroe in Oswego County, the Towns of Cicero and Clay in Onondaga County and the Town of Vienna in Oneida County. The District is governed by the Board of Education (Board), which is composed of nine 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 District's day-to-day management under the Board's direction.

The District operates seven schools with approximately 3,800 students and 840 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$72.6 million, which were funded primarily with State aid, sales tax, real property taxes and grants.

Objective

The objective of our audit was to examine the claims audit function. Our audit addressed the following related question:

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

Scope and Methodology

We examined the District's claims for the period July 1, 2014 through March 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 size of the relevant population and the sample selected for examination.

Comments of District Officials and Corrective Action

The results of our audit and recommendation have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendation and indicated they have taken, or plan to take, corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Claims Auditing

Education Law (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 whether the amounts represent actual and necessary District expenditures. In addition, the claims audit should determine whether the claims are properly itemized and supported and whether the District actually received the goods or services described on each claim.

The Board appointed a claims auditor and adopted a policy to provide procedures for auditing claims. According to the policy, the claims auditor must report directly to the Board on the results of the claims audits. The claims auditor is required to examine all claims listed on the warrant to determine whether there is adequate evidence to support the District's expenditures. The policy also requires that valid claims against the District be paid by the Treasurer only upon the approval of the claims auditor.

Although the claims auditing policy contains provisions related to the appointment and duties of the claims auditor, the Board did not ensure that the appointed claims auditor reported to the Board on a monthly basis. Instead, the claims auditor reported to the Business Manager, who is also the Board-appointed purchasing agent. District officials were aware that the claims auditor should be reporting to the Board and told us they were developing a report to provide to the Board. A previous audit report¹ issued by the Office of the State Comptroller in 2007 included a recommendation that the claims auditor should report directly to the Board with respect to the results of claims audits.

We reviewed a sample of 50 claims totaling approximately \$2.3 million out of 1,394 claims totaling approximately \$26.3 million.² All payments tested were accurate, supporting invoices matched amounts charged, purchase orders for goods received were signed by the receiver and there was evidence of the claims audit prior to payments being remitted to the vendors.

¹ *Central Square Central School District: Internal Controls Over Selected Financial Operations* (2007M-116)

² The 1,394 claims were all valued over \$2,000. See Appendix B for sampling methodology.

When the Board does not provide proper oversight of the claims auditing process, there is an increased risk that errors or irregularities could occur and remain undetected and uncorrected.

Recommendation

1. The Board should ensure that the claims auditor reports the results of the claims audit in accordance with previously established Board policy.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

CENTRAL SQUARE CENTRAL SCHOOL DISTRICT

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October 12, 2016

Office of the State Comptroller
Attention: Ms. Ann Singer
Binghamton Regional Office
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Dear Ms. Singer:

The Central Square CSD is submitting this letter as our *audit response* to Report of Examination 2016M-292 Claims Auditing as well as our *corrective action plan*.

Your examination of the district's claims audit function found the claims to be appropriate, adequately documented, properly audited, and approved prior to payment. We were pleased that the process is functioning properly.

Your examination of the district's claims audit function also found that the claims auditor was not reporting results directly to the Board of Education per policy. We agree with this finding and have taken the necessary actions to correct the process.

At a meeting with the Audit Committee in June 2016, the Internal Claims Auditor reviewed a reporting process with the committee for use by the Board. It has been established and has become part of the consent agenda items at monthly meetings. The newly established Claims Auditor Report can be viewed on the District's website at www.cssd.org, Board of Education Meeting Documents.

Thank you for your time and effort in making Central Square CSD a more fiscally responsible organization.

Sincerely,

Thomas J. Colabufo
Interim Superintendent

TJC/jb

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed policies and procedures and interviewed District officials and employees to gain an understanding of the District's procedures for auditing claims.
- We randomly selected 50 claims out of 1,394 claims over the value of \$2,000 during the scope period of the audit, using a spreadsheet random number generator. We reviewed these claims to determine whether they were accurate and had all supporting documentation, whether the amounts paid were recalculated based on supporting documentation and whether there were indications that the claims auditor reviewed the claims.

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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