



# Herkimer-Fulton- Hamilton-Otsego Board of Cooperative Educational Services Claims Audit Process

Report of Examination

Period Covered:

July 1, 2014 – December 31, 2015

2016M-185



Thomas P. DiNapoli

# Table of Contents

	<b>Page</b>
<b>AUTHORITY LETTER</b>	1
<b>INTRODUCTION</b>	2
Background	2
Objective	2
Scope and Methodology	2
Comments of BOCES Officials	3
<b>CLAIMS AUDIT PROCESS</b>	4
<b>APPENDIX A</b> Response From BOCES Officials	6
<b>APPENDIX B</b> Audit Methodology and Standards	8
<b>APPENDIX C</b> How to Obtain Additional Copies of the Report	9
<b>APPENDIX D</b> Local Regional Office Listing	10

# State of New York Office of the State Comptroller

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

July 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 Herkimer-Fulton-Hamilton-Otsego BOCES, entitled Claims Audit Process. 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 resources 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 Herkimer-Fulton-Hamilton-Otsego Board of Cooperative Educational Services (BOCES) is an association of 10 component school districts. BOCES is governed by a 10-member Board of Education (Board) elected by the component districts' school 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 approximately 9,200 students in Herkimer, Fulton, Hamilton and Otsego Counties, with approximately 740 attending BOCES programs. BOCES delivers more than 125 educational and administrative services to its component districts and employs approximately 500 staff members. BOCES' budgeted appropriations for the 2015-16 fiscal year totaled \$29.2 million, funded primarily by charges to school districts for services.

The Board has delegated its claims auditing responsibility to a claims auditor. The claims auditor reports directly to the Board and is responsible for examining, and allowing or rejecting, all accounts, charges, claims or demands against BOCES.

## Objective

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

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

## Scope and Methodology

We examined BOCES' 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 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 agree with our findings.

## Claims Audit Process

New York State Education Law requires the Board to audit all claims before they are paid<sup>1</sup> 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 every claim against BOCES is subjected to an independent, thorough and deliberate review to verify that proposed payments are proper and valid BOCES charges.

An effective claims process also ensures that claims contain enough supporting documentation to determine if purchases are made in accordance with BOCES policies and represent actual and necessary BOCES expenditures. In addition, it is important for the Board or its appointed claims auditor to determine whether the claims are properly itemized and supported and whether BOCES has actually received the goods or services described in each claim.

BOCES officials have established adequate procedures over the claims processing function to ensure that claims were adequately documented and supported, for appropriate purposes and audited and approved prior to payment. The Board has delegated its claims auditing responsibility to a claims auditor. The claims auditor conducts a thorough examination of each claim to determine whether it is for appropriate BOCES purposes, the goods or services being billed for were actually received and the claim was adequately documented and supported (i.e., with an itemized invoice, purchasing requisition, purchase order and documentation of receipt of goods or services).

The accounts payable clerk compiles all claims and supporting documentation and submits them to the claims auditor for review. Once the claims auditor has completed her review, she signs her name and dates each claim to indicate that the claims have been approved for payment. The claims auditor then gives the signed claims back to the accounts payable clerk. The accounts payable clerk then generates the checks for payment and creates a warrant, which indicates the check number assigned to each claim. In addition, the accounts payable clerk prints copies of the checks for payment and attaches them to the respective claims.

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<sup>1</sup> 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 audited by the claims auditor after the payments are made.

Before checks are mailed, the claims auditor performs a final review of the warrant, copies of payment checks and claim documentation to ensure that the specific vendors are being paid the correct amounts, no additional checks outside of those listed on the warrant have been generated and any exceptions noted during her initial review of claims have been corrected. Once satisfied with her final review, the claims auditor notifies the Treasurer, in person, to mail the checks for payment. Additionally, the claims auditor submits quarterly reports to the Board indicating the exceptions that she identified as a result of her claims review (e.g., calculation error, incorrect name or address, missing receipts, no purchase order, sales tax was included).

BOCES paid 6,662 claims totaling \$39,622,922 during our audit period from the general, school lunch, special aid and capital projects funds. We reviewed 82 claims<sup>2</sup> totaling \$481,518 to determine whether they were supported by adequate documentation. Such documentation included itemized invoices, accompanying receipts listing the amount and quantity of the goods or services purchased and evidence showing that the goods or services were received. We also determined whether the claims were mathematically accurate, for legitimate BOCES purposes, in accordance with BOCES policies and audited and approved by the claims auditor before payments were made. Our testing disclosed only minor deficiencies, which we discussed with BOCES officials.

We commend BOCES officials for establishing effective procedures for processing claims against BOCES. Establishing and adhering to effective claims auditing procedures decreases the risk that errors or irregularities with processing and paying claims may occur and go undetected.

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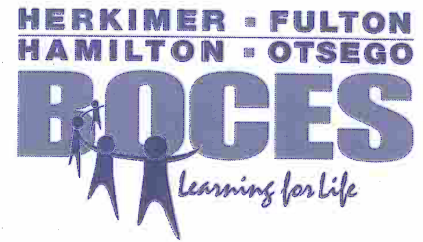
<sup>2</sup> See Appendix B for more information on our sampling methodology.

## **APPENDIX A**

### **RESPONSE FROM BOCES OFFICIALS**

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





Mark Vivacqua, Ed.D.  
District Superintendent

315.867.2023  
Fax: 315.867.2002  
mvivacqua@herkimer-boces.org

June 16, 2016

Ms. Rebecca Wilcox, Chief Examiner  
NYS Comptroller's Office  
State Office Building, Room 409  
333 E. Washington Street  
Syracuse, NY 13202-1428

Dear Ms. Wilcox:

This letter serves as the Herkimer-Fulton-Hamilton-Otsego BOCES'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 BOCES's Claims Auditing Process.

After a review of 82 claims totaling \$482,000, your office found that all claims examined were "supported by adequate documentation." As your audit has commended the BOCES for "establishing effective procedures for processing claims against BOCES", the BOCES will not prepare a Corrective Action Plan for this audit.

The Herkimer-Fulton-Hamilton-Otsego BOCES staff works hard to ensure that policies and procedures are followed and are used to appropriately safeguard the taxpayers' money.

The BOCES would like to thank the auditors for the professionalism shown throughout the audit process. We take great pride in the work we do here at the BOCES and will continue to review our practices to improve controls and accountability over the financial operations.

Sincerely,

Daniel LaLonde, President  
BOCES Board of Education

/s/mm

Pc/ Mark Vivacqua, Ed.D., District Superintendent & Chief Executive Officer  
Mark Deierlein, Executive Director of Business Operations

Central Valley ■ Dolgeville ■ Frankfort-Schuyler ■ Herkimer ■ Little Falls  
Mount Markham ■ Owen D. Young ■ Poland ■ Richfield Springs ■ West Canada Valley

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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 reviewed Board meeting minutes from the 2014-15 and 2015-16 fiscal years to verify that the Board appointed an appropriate claims auditor.
- We interviewed BOCES officials and key personnel to determine the procedures for the audit, approval and payment of claims.
- Using a computerized spreadsheet function, we selected a random test sample of 50 claims totaling \$403,024 to determine if the claims were for proper BOCES purposes, were mathematically accurate, were sufficiently supported, contained evidence that the goods or services were actually received, were in compliance with Board-adopted policies and were audited and approved by the claims auditor prior to payment.
- We judgmentally selected an additional sample of 32 claims paid during our audit period totaling \$78,494 and reviewed them for the same concerns discussed in the prior bullet. We selected these claims because they posed a higher risk for inappropriate BOCES expenditures. Such payments included those made to the claims auditor and BOCES Board members and officials, to unrecognized vendors or to vendors that appear unrelated to BOCES operations, and payments of high dollar amounts and for credit card purchases.

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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**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Gabriel F. Deyo, Deputy Comptroller  
Tracey Hitchen Boyd, Assistant Comptroller

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