



Shenendehowa Central School District

Claims Processing

Report of Examination

Period Covered:

July 1, 2014 – January 31, 2016

2016M-137



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 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 Shenendehowa 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 New York State 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 Shenendehowa Central School District (District) is located in the Towns of Clifton Park, Halfmoon, Ballston, Malta, Stillwater and Waterford in Saratoga County. The District is governed by the Board of Education (Board), which is composed of seven 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.

There are 13 schools in operation within the District, with approximately 9,800 students and 1,700 employees. The District's budgeted expenditures for the 2015-16 fiscal year were \$163 million, which were funded primarily with State aid, real property taxes and grants.

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 the District.

Objective

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

- Did District officials ensure that claims were for appropriate purposes, adequately supported, and audited and approved prior to payment?

Scope and Methodology

We examined the District's claims processing 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 size of the relevant population and the sample selected for examination.

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 determine that the claims are properly itemized and supported and for appropriate District purposes and that the District received the goods or services being billed for. With specific exceptions, New York State Education Law requires all claims to be audited before payments can be made.¹

District officials have established appropriate procedures over the claims processing function to ensure that claims were properly itemized and supported, the goods or services had been received and were for proper purposes and the claims were audited and approved prior to payment. The Board has delegated its claims auditing responsibility to a claims auditor. Accounts payable clerks² compile all claims and supporting documentation. The accounts payable clerks also prepare the warrants (list of claims) and submit them to the District Treasurer for review. Once the District Treasurer has reviewed the warrants and the claims, the accounts payable clerks provide them to the claims auditor on a weekly basis.

The claims auditor ensures that each claim is for a valid District purpose and was incurred by an authorized District official, and that the goods were received or the services were rendered. The claims auditor also verifies that the claim is mathematically correct, does not include previously paid charges and is in agreement with the purchase order or contract upon which it is based. Once the claims auditor has completed his review, he initials each claim and signs the warrant to indicate the claims listed on it are approved for payment. The claims auditor records any discrepancies in the claims auditor's report and communicates them to the District Treasurer. The claims auditor then sends the Treasurer the approved warrant.

¹ The Board can adopt a resolution authorizing the payment of certain claims prior to audit. These include claims for public utility services, postage, freight and express charges.

² There are multiple accounts payable clerks responsible for assembling the claims and supporting documentation.

Once the claims auditor approves the claims for payment, the signed checks corresponding to the approved claims are picked up by the District's currier. The currier transports them to the District's Information Management System Unit, where postage is attached and checks are mailed. Also, the claims auditor provides a copy of the claims auditor's report to the Assistant Superintendent for Finance and Operations and the audit committee. The claims auditor also attends the audit committee meetings to address any questions related to the claims that may exist.

We randomly selected 500 checks totaling \$10,488,630³ paid during our audit period and reviewed the associated claims to determine whether the claim was supported with sufficient itemization of the goods or services acquired, contained adequate supporting documentation, and was for legitimate District purposes. We also determined whether 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.

³ We reviewed 500 claims: 49 from the capital projects fund (\$5,331,183), 422 from the general fund (\$5,096,685), 12 from the school food service fund (\$38,109), nine from the special aid fund (\$11,535), three from the miscellaneous special revenue fund (\$6,081) and five from the extra-classroom activity fund (\$5,037).

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Shenendehowa

Central Schools

June 9, 2016

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

Dear Mr. Leonard,

The District is in receipt of the Report of Examination of Claims Processing for the period July 1, 2014 to January 31, 2016. The report indicated that the District established and implemented effective procedures over the claims processing function. Thank you for this feedback. The District will continue to review our practices to insure we maintain an effective claims process.

Sincerely,

Dr. L. Oliver Robinson
Superintendent of Schools
Shenendehowa Central Schools

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WEST BUILDING
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Clifton Park, NY 12065
TESAGO (518) 881-0570
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Clifton Park, NY 12065

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 January 31, 2016. 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 500 check numbers from the total population of 14,192 checks for our sample, with the lower and upper bounds being the first and last check written during our scope period for the selected funds.
- We reviewed each randomly selected 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. 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.

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