

# Smithtown Central School District

## Claims Processing and Travel-Related Expenses

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JUNE 2021

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

# Contents

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- Report Highlights . . . . . 1**
  
- Claims Processing and Travel-Related Expenses . . . . . 2**
  - What Is an Effective Claims Process? . . . . . 2
  - Claims Were Properly Approved and Supported . . . . . 2
  - Travel Costs Were in Excess of GSA Rates . . . . . 2
  - What Do We Recommend? . . . . . 3
  
- Appendix A – Response From District Officials . . . . . 4**
  
- Appendix B – Audit Methodology and Standards . . . . . 5**
  
- Appendix C – Resources and Services . . . . . 7**

# Report Highlights

## Smithtown Central School District

### Audit Objective

Determine whether the Smithtown Central School District's (District) Board of Education (Board) ensured claims were adequately documented, for appropriate purposes, and properly audited and approved prior to payment, and that any travel expenses were reasonable.

### Key Findings

We found that the Board ensured the claims we reviewed were adequately documented, for appropriate purposes and properly audited and approved prior to payment. However, the Board could have saved the District \$1,855 by adopting federal per diem rates for travel expenses.

### Key Recommendations

- Consider amending their policy using established United States General Services Administration (GSA) per diem lodging and meal rates.
- Ensure costs for travel-related expenses are within established adopted guideline limitations.

District officials agreed with our recommendations and indicated they plan to initiate corrective action.

### Background

The District serves residents of the Town of Smithtown in Suffolk County.

The seven-member Board is responsible for managing and controlling the District's financial and educational affairs. The Superintendent of Schools is the chief executive officer and, along with other administrative staff, is responsible for the District's day-to-day management under the Board's direction.

The Board appointed a claims auditor responsible for ensuring that claims are properly supported and meet procurement policy requirements and travel guidelines.

#### Quick Facts

<b>2018-19 Budgeted Appropriations</b>	\$247 million
<b>Non-Travel Claims</b>	
District Processed	5,329
OSC Reviewed	100
Total Expense	\$22.2 million
OSC Reviewed	\$139,016
<b>Travel-Related Claims</b>	
District Processed	1,110
OSC Reviewed	58
Total Expense	\$482,157
OSC Reviewed	\$41,548

### Audit Period

July 1, 2018 – January 31, 2020

# Claims Processing and Travel-Related Expenses

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## What Is an Effective Claims Process?

The Board is required 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 Board 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 ensures that claims contain enough supporting documentation to determine whether each claim complies with statutory requirements and District policies and that the amounts claimed represent actual and necessary District expenditures.

When processing claims, it is important to ensure that a district's procurement policy and travel policy are followed, including the requirements that purchase orders are prepared and approved before purchasing goods or receiving services and travel-related claims comply with the travel policy. This is to help control expenditures and ensure that purchases are properly authorized, competitive pricing policies have been complied with and adequate funds are available. Confirming purchase orders, which are issued after the goods or services are received, should not be allowed except for emergency purchases because such purchases circumvent the approval and price verification features of the normal purchasing process.

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The Board delegated the responsibility to audit District claims to a claims auditor.

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## Claims Were Properly Approved and Supported

The accounts payable clerk provides the claims packets to the claims auditor, who determines if the claims are for valid District purposes. We selected a total of 100 claims<sup>1</sup> which included 482 invoices totaling \$139,016. When reviewing the claims packet, we ensured that all packets had the following information attached (if applicable): check stub, invoice, purchase order, packing list and requisition form. We also confirmed that the purchase order date preceded the invoice date and whether or not the purchase order was an open purchase order. Finally, we verified that the claim was for appropriate purposes, dated and approved by the claims auditor, and a second stamp for approval was present. Generally, procurements followed District policies and claims were properly processed and for proper District purposes. We only found minor discrepancies, which we discussed with District officials.

## Travel Costs Were in Excess of GSA Rates

School districts are allowed to pay for actual and necessary expenditures for travel, meals, lodging and registration fees incurred when district officials and employees attend conferences or meetings. Amounts reimbursed must be audited

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<sup>1</sup> See Appendix B – Audit Methodology and Standards.

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and paid in the same manner as other claims against a district. An effective and easy way to ensure that travel and conference expenses stay within reasonable limits is to adopt the federal lodging, meal and mileage guidelines as travel reimbursement rates.

The GSA publishes rates for lodging and meals that federal officers and employees cannot exceed. These rates vary by State and region (e.g., New York City hotel and meal rates are higher than Binghamton rates). Most major hotel chains set aside rooms at the federal rate. To obtain these rates, travelers should ask for the “government rate” when making hotel reservations. Federal rates are readily available at the GSA website <https://www.gsa.gov/portal/content/104877> and are usually updated at least once a year.

The Board adopted travel guidelines relating to reimbursement for travel and conference expenses for the Smithtown Administrators and Smithtown Teachers Association. The District’s expense reimbursement policy states that travel and attendance at conferences must be preapproved, that all requests for reimbursement must be made using prescribed forms, and that original, detailed and itemized receipts must be attached.

We selected 58 claims<sup>2</sup> (98 invoices) totaling \$41,548 to determine if they were paid in accordance with District guidelines and/or GSA rates. We found the District generally adhered to its own guidelines regarding District limits for travel expenses and the expenses were for proper District purposes. However, some were in excess of the GSA established rates. To illustrate, there were nine instances totaling \$1,855 where lodging expenses exceeded the GSA rate for the specific City/State of travel. This represented 7 percent of the total lodging expenses (excluding taxes) tested of \$27,653.

The District may have incurred unnecessary costs because its policy allows for reimbursement in excess of the federal lodging and meal rates. In some cases, the reimbursements would have been less if the District used the GSA rates. By adopting federal lodging and meal rates as the general maximum, the possibility of travel expense abuse can be reduced.

## **What Do We Recommend?**

The Board should:

1. Consider amending the travel policies using established GSA per diem lodging and meal rates.
2. Ensure costs for travel-related expenses are within established adopted guideline limitations.

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<sup>2</sup> See Appendix B – Audit Methodology and Standards.

# Appendix A: Response From District Officials

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Smithtown Central School District

26 New York Avenue, Smithtown, New York 11787

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Mark Secaur, Ed.D.  
Superintendent of Schools  
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May 3, 2021

Mr. Ira McCracken, Chief Examiner  
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Dear Mr. McCracken:

Please accept this letter as Smithtown CSD's audit response to the preliminary draft findings in OSC's report entitled *Claims Processing and Travel Related Expenses*.

On behalf of the Board of Education and administration, we would like to first thank the assigned staff for their professionalism and courteous manner in conducting the audit during a very difficult time.

The District is in agreement with OSC's comment that the District has not adopted United States General Services Administration (GSA) rates for per diem lodging and meal rates. Rather, the District and the respective collective bargaining units maintain agreed upon limits for lodging and meals. The District will be discussing OSC's recommendation to implement the GSA rates with each of the respective collective bargaining units.

We will be sure to prepare a Corrective Action Plan (CAP) once we receive the final audit report from OSC.

Respectfully submitted,

Mark Secaur, Ed.D.  
Superintendent of Schools

## Appendix B: Audit Methodology and Standards

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We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed Education Law and the District's procurement policy to gain an understanding of the purchasing and claims auditing process.
- We interviewed key District officials to gain an understanding of the claims audit process.
- We reviewed the District's expense reimbursement policy as it relates to travel-related expenses.
- The District processed 5,329 non-travel claims totaling \$22.2 million. From these claims, we excluded payments for collective bargaining units, postal and utility services, Medicare reimbursements, retirement incentive income streams, health insurance and professional services, resulting in a total of 3,449 claims totaling \$17.2 million. For the 3,449 claims, we used a random number generator to select a total of 100 claims for review.
- We reviewed the Board's adopted travel guidelines relating to reimbursement for travel and conference expenses for the Smithtown Administrators and Smithtown Teachers' Association.
- The District processed 1,110 travel-related claims totaling \$482,157. We selected and reviewed 58 claims totaling \$41,548 in travel-related expenses for the District. These 58 claims were comprised of a total of 98 invoices for review. Using a random number generator, we selected seven payments, totaling \$12,330, of the 35 credit card payments, totaling \$55,801, which represents 22 percent of the total payments made to credit cards to test. We also chose to test any reimbursements to individuals that received between seven and 10 payments during the audit period. Twenty-five individuals received between seven and 10 travel-related reimbursements. We selected every fifth individual resulting in testing five individuals or 20 percent, which was 41 payments totaling \$10,341. Using a random number generator, we also selected 10 of the 41 hotel payments totaling \$18,877 to test, which represents 48 percent of all hotel payments of \$39,692.

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 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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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.

The Board has the responsibility to initiate corrective action. 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, 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. 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 CAP should be posted on the District's website for public review.



## Appendix C: Resources and Services

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### **Regional Office Directory**

<https://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf>

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

<https://www.osc.state.ny.us/local-government/publications>

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

<https://www.osc.state.ny.us/local-government/publications>

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

<https://www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf>

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

### **Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

<https://www.osc.state.ny.us/local-government/publications>

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

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