

# Pleasantville Union Free School District

## Claims Auditing

NOVEMBER 2022



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

# Contents

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- Report Highlights . . . . . 1**
  
- Claims Audit . . . . . 2**
  - How Should a Board Ensure Claims Are Adequately Supported and Properly Audited? . . . . . 2
  
  - The Board Did Not Comply with Policy Requirements or Provide Adequate Guidance to the Claims Auditor. . . . . 2
  
  - Claims Were Not Adequately Supported and Properly Audited Before Payment . . . . . 3
  
  - What Do We Recommend? . . . . . 4
  
- Appendix A – Response From District Officials . . . . . 6**
  
- Appendix B – OSC Comments on the District’s Response . . . . . 10**
  
- Appendix C – Audit Methodology and Standards . . . . . 11**
  
- Appendix D – Resources and Services. . . . . 12**

# Report Highlights

## Pleasantville Union Free School District

### Audit Objective

Determine whether the Pleasantville Union Free School District (District) Board of Education (Board) ensured that claims were adequately supported and properly audited before payment.

### Key Findings

The Board did not ensure the claims auditor was properly trained or had necessary access to District records for the claims auditor to effectively perform the Board's claims audit responsibilities. As a result, claims were not always adequately supported or properly audited before payment. For example, we reviewed 100 claims totaling \$520,121 and found that claims totaling \$122,184 were not properly audited or did not comply with the District's procurement policy.

The claims auditor did not determine if claims:

- Were for valid District purchases
- Were billed correctly
- Complied with the District's procurement policy
- For professional services were supported by Board minutes or contracts
- Exceeded available appropriations.

### Key Recommendations

- Ensure that the claims auditor is properly trained and that claims contain sufficient supporting documentation and are audited and approved before payment.

District officials agreed with our recommendations and indicated they will take corrective action.

### Background

The District serves the Village of Pleasantville and a portion of the Town of Mount Pleasant in Westchester County.

The five-member elected Board is responsible for the District's general management and control of financial affairs.

The Superintendent of Schools (Superintendent) is the chief executive officer responsible for the District's day-to-day management. The Assistant Superintendent for Business (Assistant Superintendent) oversees the District's business operations including the accounts payable department, which is responsible for processing claims.

The Board-appointed claims auditor reports directly to the Board and is responsible for ensuring that claims are adequately supported and properly audited.

#### Quick Facts

<b>2021-22 Budgeted Appropriations</b>	\$53.8 million
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#### Claims During the Audit Period

<b>Claims Processed</b>	3,841
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<b>Total Claims Processed</b>	\$33.5 million
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<b>Claims Reviewed</b>	100
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<b>Total Claims Reviewed</b>	\$520,121
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### Audit Period

July 1, 2020 – December 31, 2021

# Claims Audit

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## How Should a Board Ensure Claims Are Adequately Supported and Properly Audited?

Generally, a board must audit all claims against a school district before they are paid or appoint a claims auditor to assume the board's powers and duties to audit and approve claims. If the board appoints a claims auditor, the individual must have the skills to effectively audit claims, including an understanding of purchasing, competitive bidding, and processing claims. The claims auditor should report to the board on the result of the audits of claims.

A board and school district officials should establish a written policy and written procedures which detail the claims auditor's duties and specifically explains the responsibilities for reviewing claims. A claims auditor's responsibilities include determining whether claims are actual and necessary, for a legitimate district purpose, contain supporting documentation (e.g., original receipts/invoices and verification goods/services were received), mathematically correct, and to determine if procurement requirements are followed. The claims auditor is also responsible to ensure that claim amounts do not exceed available appropriations within the applicable budget codes.

## The Board Did Not Comply with Policy Requirements or Provide Adequate Guidance to the Claims Auditor

The Board adopted a policy on financial accountability requiring the claims auditor to attend a training program to ensure they understand their duties and responsibilities and the data provided to them. The Board also adopted a policy outlining the claims auditor's duties and necessary qualifications.

Although Board policy required the claims auditor to attend training, it was not conveyed to the claims auditor, nor was it enforced as all five Board members did not know if the claims auditor had received training or was provided with a job description. While the claims auditor was provided written guidance on the claims auditor position, there was no training provided to teach the claims auditor how to perform the steps listed. For example, the policy requires the claims auditor to ensure claims do not exceed available appropriations within the applicable budget code, yet the claims auditor did not have access to any documents or electronic data to verify available appropriations.

Because the Board did not ensure the claims auditor had training and did not provide the claims auditor with well-defined procedures and ways to perform them, the claims auditor was not performing an adequate audit of claims which increased the risk that improper or unsupported payments could be made and not be detected and corrected.

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...[T]here was no training provided to teach the claims auditor. ...

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## Claims Were Not Adequately Supported and Properly Audited Before Payment

The District's claims auditor did not ensure all claims were adequately supported or properly audited before payment. We reviewed 100 claims paid during our audit period, totaling \$520,121,<sup>1</sup> and found that 43 claims totaling \$122,184 were not properly audited. Specifically, we identified 56 instances where the 43 claims were lacking support and/or did not follow District policies and procedures. Some examples include:

- Seventeen claims approved by the claims auditor totaling \$45,139 had confirming purchase orders, which is a purchase order that is created after the purchase is made. The generation of a purchase order prior to making a purchase partially serves to confirm appropriations are available to pay for the purchase. Without a purchase order being approved prior to making a purchase, the claims auditor should have taken steps, but did not, to confirm appropriations were available prior to approving the 17 claims.
- Thirteen claims totaling \$63,280 on open purchase orders<sup>2</sup> were not adequately supported. For example, five of the open purchase orders did not include the remaining purchase order balance. Therefore, the claims auditor approved these claims for payment without verifying that the claims did not exceed the specified dollar amount for each open purchase order. These claims were primarily for professional services, custodial services, maintenance and food purchases.
- Six claims totaling \$6,810 lacked supporting documentation, such as original receipts/invoices and/or descriptions of goods/services clearly noted on the PO or invoice. For example, we found a claim totaling \$320 for a windshield replacement for a vehicle with no explanation or detail indicating that it was for a District vehicle. After further review, we determined it was for a District vehicle; however, the claims auditor did not question the claim prior to approving for payment or verify that it was for a legitimate District purpose.
- Five claims totaling \$22,118, did not have evidence that District officials complied with the District's procurement policy. For example, claims for the following purchases lacked documentation of bids or quotes, or other evidence that officials complied with the procurement policy:
  - One claim for \$7,786 was part of a purchase order for architectural services for more than \$400,000. Although District officials obtained proper competition, the claims auditor did not verify that it was in accordance with the procurement policy prior to the claim being approved.

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<sup>1</sup> See Appendix C for information on our sampling methodology.

<sup>2</sup> An open purchase order allows purchases up to a specified dollar amount and can cover multiple item purchases with no pricing noted on the purchase order.

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- Three claims totaling \$13,826 should have been reviewed to ensure the required quotes were obtained. For example, the claims auditor did not determine if the required quotes for painting services totaling \$10,110 were obtained prior to approving payment.
  - One claim totaling \$506 for milk purchases was part of an open purchase order for \$5,000 and had no documentation of verbal/written quotes although they were required by the procurement policy for purchases exceeding \$4,999.

We interviewed the claims auditor to understand his process for auditing claims and why he did not follow the District's adopted policies or written procedures. The claims auditor told us that he audited the claims as he was instructed to by a previous Assistant Business Manager. He stated he did not verify or check that claims:

- Were valid District purchases because he relies on the officials who approved the purchase and signed off on receiving the goods or services as confirmation acquisitions were appropriate.
- Were billed for the correct unit price.
- Had verbal/written quotes, bids, or a contract on file when required by the District's procurement policy.
- For professional services were supported by Board minutes or contracts.
- Did not exceed available appropriations.

The Board did not ensure the claims auditor was provided with adequate guidance or training on how to effectively audit claims. As a result, the claims auditor approved claims for payment that contained confirming purchase orders, lacked adequate supporting documentation, and lacked evidence of compliance with the District's procurement policy. Without an effective audit of claims, the District has a greater risk of paying a higher amount for purchases than agreed upon and authorization of improper claims.

## **What Do We Recommend?**

The Board should:

1. Ensure the claims auditor takes the proper training and is able to perform the duties as stated in District policy.
2. Provide well-defined procedures and guidance to the claims auditor in carrying out their responsibilities.

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The claims auditor should:

3. Conduct a thorough and deliberate audit of each claim before authorizing payment to ensure each claim is in compliance with District policies and contains sufficient supporting documentation.
4. Attend applicable and beneficial training sessions to better understand and perform their duties as claims auditor. Training provided by OSC can be found at: <https://www.osc.state.ny.us/local-government/academy>.

# Appendix A: Response From District Officials

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*Enter to Learn  
Go Forth to Serve*

60 Romer Avenue  
Pleasantville NY 10570

November 1, 2022

Thomas P. DiNapoli  
NYS Comptroller  
Office of the State Comptroller  
110 State Street  
Albany, NY 12236

## **Re: District Response to the Comptroller's Audit Report**

Dear Comptroller DiNapoli,

The Pleasantville Union Free School District is in receipt of the Audit Report "Claims Auditing – Audit Period: July 1, 2020, through December 31, 2021."

On behalf of the Board of Education and the District's administration, we would like to thank the local field staff of the Comptroller's Office. They were professional and courteous in conducting their duties associated with this Audit during the entrance conference, the entire on-site audit, and the exit conference.

The District is pleased that the extensive work of the auditors from your office resulted in no findings of operational improprieties, fraud, misappropriation of funds, waste or abuse. We are also pleased that after extensive examination of District's operations, systems and records by the Examiner-in-Charge, the audit objective was narrowed down to "Determine whether the Pleasantville Union Free School District Board of Education ensured that claims were adequately supported and properly audited before payment."

See  
Note 1  
Page 10

As we indicated at the exit conference, all our requisitions followed the District procurement policies and regulations, and each claim was supported by proper documents. We have now made sure that the Claims Auditor has access through the financial system to properly audit all requisitions.

See  
Note 2  
Page 10

In developing the District response to the Audit, the Board of Education and the Administration are mindful of its fiscal responsibility to the school district and the public. We also understand that the Claims Auditor is carrying out an important duty of the Board and therefore we take this report seriously.


The Comptroller's Report listed four findings/recommendations for the Pleasantville UFSD. The District reviewed and accepted all these recommendations and has developed a detailed corrective action plan to implement the recommendations and put them into practice. The Board of Education



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approved the corrective action plan at its November 1, 2022 meeting. The plan is enclosed with this letter.

Sincerely,

Tina DeSa   
Superintendent of Schools

Jill Grossman  
President, Board of Education

Enclosure: District Approved Corrective Action Plan



*Enter to Learn  
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60 Romer Avenue  
Pleasantville NY 10570

November 1, 2022

This Corrective Action Plan is in response to the OSC Audit Report on “Claims Auditing – Audit Period: July 1, 2020, through December 31, 2021.”

**Recommendation 1 - Ensure the claims auditor takes the proper training and is able to perform the duties as stated in District Policy.**

District Response: The Claims Auditor has reviewed and is familiar with the District Policy #1335 – Appointment and Duties of the Claims Auditor. On June 29, 2022, the Claims Auditor received training from District’s Internal Auditor who has extensive experience in this field and has served as the Claims Auditor for school districts. The Claims Auditor has also signed up for a BOCES training program for claims auditors on November 30, 2022. Beginning with the current school year, the Board of Education will have the Claims Auditor attend the Spring Audit Committee meeting to make a report to the committee.

**Recommendation 2 - Provide well-defined procedures and guidance to the Claims Auditor in carrying out their responsibilities.**

District Response: On June 29, 2022, the Claims Auditor worked with the Internal Auditor (as described above), and they developed well-defined procedures and a check list for the claims audit function. Both the procedures and check list are being followed. This recommendation is complete.

**Recommendation 3 – Conduct a thorough and deliberate audit of each claim before authorizing payment to ensure each claim is in compliance with District policies and contains sufficient supporting documentation.**

District Response: Since June 29, 2022, the Claims Auditor is following the claims auditing procedures and the check list and is reviewing each claim thoroughly before approval for payment. Since September 30, 2022, the Claims Auditor also has expanded his monthly report to the Board of Education to include a list of all the confirming purchase orders.

**Recommendation 4 – Attend applicable and beneficial training sessions to better understand and perform their duties as claims auditor.**

District Response: As indicated in District Response to Recommendation 1 above, the Claims Auditor already attended a training session designed for the District and conducted by District’s

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Internal Auditor. The Claims Auditor has also signed up for a training session at BOCES on November 30, 2022. The OSC training information was provided to the Claims Auditor on October 19, 2022, immediately after the exit conference.

## Appendix B: OSC Comments on the District's Response

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### Note 1

The audit objective was limited to the District's claims auditing function therefore; no conclusions on the District's other operational areas can be drawn.

### Note 2

As stated in the report, claims were not always adequately supported or properly audited before payment.

# Appendix C: 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, including Board members, the claims auditor and other employees, and reviewed policies, procedures and Board meeting minutes to gain an understanding of the District's controls over claims auditing.
- From a population of 3,841 claims, we randomly selected 80 claims and used our professional judgment to select an additional 20 claims to include claims for District officials, individuals, and claims for unusual or unique vendors, for a total of 100 claims totaling \$520,121.
- We reviewed these claims to determine whether the claims were for an appropriate District purpose, adequately supported, properly authorized, and approved; contained evidence that the goods or services were actually received; were in compliance with Board-adopted policies; and were audited and approved before payment.

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.

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 D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf)

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

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

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

[www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf](http://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

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

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