



Brocton Central School District

Claims Audit

2023M-15 | August 2023

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Report Highlights

Audit Objective

Determine whether Brocton Central School District (District) claims were properly audited before payment.

Key Findings

Claims were not properly audited before payment. As a result, there was an increased risk that improper or unsupported payments could have been made and may not have been detected and corrected.

Had the Board of Education (Board) provided the claims auditor with adequate guidance to perform her duties, we may not have found that of the 184 claims we reviewed totaling \$1.9 million, 100 claims totaling approximately \$141,000 should not have been approved for payment because they had one or more exceptions. For example:

- All 100 claims were paid without documentation to demonstrate that claims complied with the District's procurement policy.
- 28 of the claims totaling approximately \$66,000 also did not contain evidence indicating that the goods or services were received.

Key Recommendations

- Update written policies to define the claims auditor's duties and provide this guidance and the District's procurement policy to the claims auditor.
- Ensure that claims contain sufficient supporting documentation before approving them for payment.

District officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comment on issues raised in the District's response.

Background

The District serves the Towns of Pomfret, Portland and Stockton in Chautauqua County.

The seven-member 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 Business Executive (Executive) oversees the District's business operations including the accounts payable department which is responsible for processing claims.

The Board-appointed claims auditor is responsible for ensuring that claims are properly supported and meet procurement policy requirements.

Quick Facts

2021-22 Budgeted Appropriations	\$17.8 million
Audit Period Claims Processed	
Dollar Amount	\$15.5 million
Claims	2,006

Audit Period

July 1, 2020 – November 16, 2022

Claims Audit

What is a Proper Claims Audit?

A proper claims audit is a thorough and deliberate examination to determine that a claim is a legal obligation and a proper charge against the school district. A claim package should contain enough detail and documentation so that the auditing body or official is supplied with sufficient information to make that determination. Generally, a school board must audit all claims against a school district before they are paid¹ or appoint a claims auditor to assume the school board's powers and duties to audit and approve claims. If a school board appoints a claims auditor, that individual must have the skills to effectively audit claims, including experience with purchasing, competitive bidding and processing claims.

A claims auditor's responsibilities include determining whether claims are for a valid and legal purpose, properly authorized and approved, mathematically correct, sufficiently itemized, and to determine whether procurement requirements are followed. A claims auditor is also responsible for verifying that the school district received the goods or services described, the claim had not been paid before and to ensure sufficient documentation is attached including detailed receipts, invoices and receiving documentation.

A school board and school district officials should provide the claims auditor with written policies and procedures detailing the claims auditor's specific duties and responsibilities for reviewing claims and the documentation required to be included in a claims packet.

Claims Were Not Properly Audited

We reviewed a sample of 184 claims paid during the audit period,² totaling approximately \$1.9 million and determined that the claims auditor did not perform an adequate claims audit. Of the 184 claims reviewed, 100 claims (54 percent) totaling approximately \$141,000 had one or more exceptions and should not have been approved by the claims auditor for payment as detailed below:

- 100 claims totaling approximately \$141,000 did not contain evidence that officials complied with the District's procurement policy. Specifically:
 - 88 claims lacked evidence demonstrating that the required number of quotes were obtained or that competition was sought, and

1 A board, by resolution, may authorize payment in advance of audit for public utility services (electric, gas, water, sewer and telephone), postage and freight and express charges. The claims for such prepayments should be audited as soon as possible after payment and included on the next warrant (list of claims scheduled for payment) as prepaid amounts.

2 See Appendix C for more information on our sampling methodology.

A school board and school district officials should provide the claims auditor with written policies and procedures. ...

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- 12 claims indicated that goods were purchased using a New York State Office of Government Services State contract (State contract) or were competitively bid but lacked supporting documentation needed for the claims auditor to verify the validity of the State contract or bid.
 - 28 claims totaling approximately \$66,000 did not contain evidence indicating that the goods or services were received. We physically traced the items purchased from these claims (goods that were not consumable) to verify that the goods were actually received by the District without exception.

The claims auditor told us that as part of her claims audit, she compared the claim amount and the vendor's name to the supporting invoice to ensure they matched. She also verified that the purchase requisitions or purchase orders attached to the claim were approved by either the department head or the purchasing agent. However, she did not review each claim to ensure that it was for an appropriate District purpose or to ensure that it was in compliance with the District's procurement policy. She told us that she assumed a signature on a purchase order or requisition meant that the claim was properly authorized and was for an appropriate District purpose. She also told us that if the purchase order or requisition was signed, then she assumed the requestor had obtained the necessary quotes and verified that goods and services were provided as contracted. However, the claims auditor's primary responsibility is to ensure claims are properly authorized and for appropriate District purposes.

Although the claims auditor had the experience and skills needed to qualify for the position, she was not performing an adequate claims audit because the Board did not ensure that the claims auditor was provided with adequate guidance to perform her duties. The Board adopted a written claims auditing policy to serve as guidance for the claims auditor, but the policy was not adequate, because it did not specify the documentation required to be included in a claims packet or sufficiently describe the claims auditor's responsibilities or the Board's expectations. Moreover, neither the current Board, District administration or the claims auditor could demonstrate that this policy, or the District's procurement policy, were given to the claims auditor at any time during her six years of employment with the District.

The Superintendent, Executive and two Board members told us that they were not aware that the claims auditor did not receive a copy of the procurement policy or the policy defining the claims auditor's duties. They also told us they were not aware that the current policy for the claims auditor's duties was inadequate and should have included what documentation should be included in a claim packet and specific procedures and requirements they expect the claims auditor to perform.

Because the Board did not provide the claims auditor with specific well-defined policies and procedures, she was not performing an adequate audit of claims.

...[N]either the current Board, District administration or the claims auditor could demonstrate that this policy, or the District's procurement policy, were given to the claims auditor. ...

The claims auditor approved incomplete or unsubstantiated claims and was not verifying that goods and services were actually received. This increased the risk that improper or unsupported payments could have been made and gone undetected and corrected.

What Do We Recommend?

The Board and District officials should:

1. Update the claims auditing policy to adequately define the claims auditor's duties, what documentation a claims packet should include and provide this guidance to the claims auditor for carrying out those responsibilities.
2. Ensure that the claims auditor is given a copy of the District's procurement policy and monitors compliance through the claims audit process.

The claims auditor should:

3. Conduct a thorough and deliberate audit of each claim before authorizing payment to ensure each claim is accurate, properly authorized and approved for a valid District purpose and in compliance with District policies.
4. Ensure that claims contain sufficient supporting documentation to demonstrate compliance with District policies and that goods and/or services were received prior to approving them for payment.
5. Review the District's policy and procedures to understand all claims auditor responsibilities.

Appendix A: Response From District Officials

Brocton Central School District

"Dedicated to Excellence in Education"

Board of Education

Robert Mead-Colegrove, President
Steven Smith, Vice President
Matthew Brady
Rosanne Chesbro
Neil Huber
Melissa Seavy
Stewart Thompson



Administration

Jason Delcamp, Superintendent
Caitlin Barkley, Business Executive/District Treasurer
Sandra Kopiczak, Elementary Principal
Elizabeth Antolina, MS/HS Principal
Melanie Ulinger, Director of Special Education/
Director of Curriculum
Ashley Means, District Clerk

July 6, 2023

Office of the State Comptroller
Local Government and School Accountability
110 State Street, 12th Floor
Albany, NY 12236

To Whom it May Concern:

The Brocton Central School District is in receipt of the Draft Report of Examination on Claims Audit for the time period of July 1, 2019 – November 16, 2022, 2023M-15. Our District welcomes feedback and appreciates the opportunity this report could provide.

The District understands the purpose of the examination is to identify areas of operations that may benefit from these types of outside recommendations. As expected the report does not suggest any findings of operational improprieties, fraud, misappropriation of funds, or malfeasance.

The District has reviewed the Comptroller's findings and recommendations and will take these recommendations under advisement as we develop our corrective action plan. In developing the District corrective action plan, the Board of Education and Administration are mindful of its fiscal responsibility to the District and public. We also understand that the Claims Auditor is carrying out an important duty of the Board.

Sincerely,

Jason C. Delcamp
Superintendent

See
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Appendix B: OSC Comment on the District's Response

Note 1

Our audit was limited to determining whether claims were properly audited before payment. Therefore, this audit does not eliminate the possibility of fraud, waste or misappropriation. Although our audit procedures did not detect fraud, the audit determined that claims were not properly audited prior to payment. As such, there was an increased risk that improper or unsupported payments could have been made and may not have been detected and corrected.

Appendix C: Audit Methodology and Standards

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 we reviewed policies, regulations, procedures and Board meeting minutes to gain an understanding of the District's process to prepare, approve, audit and pay claims.
- From a population of 2,006 claims totaling \$15.5 million, we used our professional judgment to select a sample of 184 claims totaling \$1.9 million. We selected our sample to include claims paid during the months of September 2020 and September 2021 which is the beginning of the school year and had the greatest number of transactions occurring. The claims selected were reviewed by the claims auditor during our audit period and included claims for a variety of vendors.
- We reviewed these claims to determine whether the claims were: for an appropriate District purpose, properly authorized and approved, adequately supported, mathematically correct, sufficiently itemized, contained evidence that the goods or services were received, in compliance with Board-adopted policies and 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

Regional Office Directory

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

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

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

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

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

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

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

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

Contact

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