



Fire Island Union Free School District

Claims Auditing

2023M-114 | December 2023

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Report Highlights

Fire Island Union Free School District

Audit Objective

Determine whether the Fire Island Union Free School District (District) Board of Education (Board) properly audited claims before payment.

Key Findings

The Board did not properly audit claims 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.

Because the Board did not develop and adhere to adequate guidance on performing its claims audit duties, of the 198 claims totaling \$258,969 that we reviewed, 51 claims totaling \$82,743 could not be properly audited due to one or more of the following:

- 17 claims totaling \$59,992 contained 53 confirming purchase orders (issued after goods or services were received), which prevented the Board's approval and price verification.
- 31 claims totaling \$20,714 were missing 28 requestor copies of purchase orders and signatures on another five requestor copies, which prevented the Board from ensuring that the Business Office had authorized payment for the goods and services received.
- 10 claims totaling \$10,980 were missing the audit checklist required by District procedure to verify that all supporting documentation was available for audit of the claim.

Key Recommendations

- Update written policies to define the Board's claims audit duties.
- Ensure that claims contain sufficient supporting documentation before approving them for payment.

District officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action. Appendix B includes our comments on issues that were raised in the District's response letter.

Background

The District is in Suffolk County and is composed of the areas known as Fire Island Beach and Great South Beach. Fire Island Beach is the detached portion of the Town of Islip lying south of the Great South Bay, with it being the westerly end of what is known as Great South Beach. The District educates students in Pre-K – Grade 6.

The District is governed by the Board which is made up of seven members including the Board President and Vice President. The Superintendent and the Assistant Superintendent of Business and Operations (ASB) are responsible, along with the other administrative staff, for the day-to-day management under the Board's direction.

The Treasurer is responsible for the processing of claims with the final approval for payment done by the Board.

Quick Facts

2022-23 Budgeted Appropriations	\$5,787,436
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Audit Period Claims Processed

Dollar amount	\$4,688,873
Claims	1,011

Audit Period

July 1, 2021 – April 30, 2023

Claims Auditing

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 paid. A school board's claims audit responsibilities include determining whether claims are for a valid and legal purpose, properly authorized and approved, mathematically correct, sufficiently itemized and in compliance with procurement requirements.

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

The Board Did Not Properly Audit Claims

As a part of the Board's claims audit process, a checklist is used to ensure that all claims packets have proper documentation including: the original purchase order with any backup information (e.g., price quotes, packing slips), the requestor copy of the purchase order that contains a signature and date indicating payment authorization, the vendor invoice and the completed checklist itself.

We reviewed a sample of 198 claims (20 percent) paid during the audit period,¹ including 223 purchase orders and 341 invoices totaling \$258,969 and, although they were for valid District purposes and sufficiently itemized, 51 claims (25 percent) totaling \$82,743 either did not contain all documentation listed on the checklist and/or did not have the checklist attached to the claim, as detailed below:

- 17 claims totaling \$59,992 contained 53 confirming purchase orders, which do not allow for a proper audit of claims because they are issued after goods or services are received and, therefore, the Board could not complete the approval and price verification steps of the claims audit process.
- 31 claims totaling \$20,714 could not be properly audited because they were missing 28 requestor copies of purchase orders and contained another five requestor copies that were not signed which prevented the Board from ensuring that the Business Office had authorized payment for the goods and services received, and

...51 claims (25 percent) totaling \$82,743 either did not contain all documentation listed on the checklist and/or did not have the checklist attached to the claim. ...

¹ See Appendix B for more information on our sampling methodology

-
- 10 claims totaling \$10,980 were missing the audit checklist required by the District's claims audit procedure which provides verification that all supporting documentation was available for audit of the claim.

The Board's policy was adopted in 2011 and only requires that before payment the Board audit all claims and attest that evidence exists to support the claims. To supplement this vague policy, the District's external auditors recommended in 2011 that the Board implement an audit checklist that required that certain documents be attached to each claims packet. The Board President, a Board member since 1998, told us that the Board did not think there was a problem with this policy at the time and that there were no issues since they had implemented the checklist. However, the Board has not updated its inadequate claims audit policy in the 11 years since its implementation. It also did not consistently follow the recommended checklist during our audit period.

The current Superintendent, Treasurer and ASB² told us that they have formed a policy committee and are working with the Board to make changes. Our testing did reflect a 72 percent decrease in exceptions since July 1, 2022 under this current administration. However, because the Board did not develop specific, well-defined claims audit policies and procedures, Board members were not performing an adequate audit of claims and approved incomplete claims. This increased the risk that improper or unsupported payments could have been made and gone undetected and uncorrected.

What Do We Recommend?

The Board and District officials should:

1. Update the claims auditing policy to adequately define the Board's claims audit duties and what documentation a claims packet should include and to provide guidance for carrying out those responsibilities.

The Board should:

2. 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.
3. 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.

² The Board appointed the current Superintendent to the position effective August 1, 2022; the Treasurer effective July 1, 2022; and the ASB effective July 1, 2021.

Appendix A: Response From District Officials



Fire Island Union Free School District

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November 14, 2023

Mr. Ira McCracken, Chief of Municipal Audits
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

RE: Fire Island Union Free School District
Claims Auditing, Report of Examination 2023M-114
July 1, 2021 – April 30, 2023

Dear Mr. McCracken:

The following letter is written in response to the Claims Auditing Report provided by your office to the Fire Island Union Free School District. We appreciate the thorough examination conducted by the State's auditors, and we acknowledge the importance of their role in ensuring accountability and transparency in the utilization of public funds. The findings and recommendations presented in the report are of great significance to us, and we take them seriously. As stewards of public resources, we are committed to addressing the identified areas in need of improvement promptly and implementing corrective measures to enhance the efficiency and effectiveness of our operations. This letter serves as our initial response to the audit findings, outlining our commitment to remedial actions and continuous improvement where warranted.

GENERAL RESPONSE TO RECOMMENDATIONS BASED ON INTERNAL REVIEW OF DATA IN AUDITORS' WORKING PAPERS

Report Recommendation #1: Update written policies to define the Board's claims audit duties.

In advance of the Claims Auditing Report, in the fall of 2022, the current administration recognized a need to revise the district's current purchasing practices. By November 2022, specific procedures were outlined with the district staff in order to streamline purchasing through specific administrative positions, thereby reducing the number of staff members involved in the purchasing process. At the August 15, 2023, Board of Education meeting, a monthly workplan mapped out use of BOE Work Sessions to review specific policies identified in need of revision. The district's current purchasing policy was scheduled for review at the October 24, 2023, meeting.

Report Recommendation #2: *Ensure that claims contain sufficient supporting documentation before approving them for payment.*

During the Exit Interview with the State auditors, **the district requested detailed working papers to analyze the trends** that informed this Report. The district’s analysis of the working papers revealed the following information:

Fire Island Union Free School District’s Review Audit Period Claims Reviewed = 198		
Finding A) <i>Confirming Orders = 17</i>	Claims with no confirming order edits = 181	Percentage of Claims with NO confirming orders = 91%
Finding B) <i>No Requestor Copies = 31</i>	Claims with requestor copies = 167	Percentage of claims with requestor copies = 84%
Finding C) <i>No Audit Checklist = 10</i>	Claims with audit checklist = 188	Percentage of claims with audit checklist = 95%

Finding A: *Confirming POs (total = 53)*

- 40 of the 53 confirming POs were from **one vendor** who services our transportation fleet = **76%**
- **94%** of all confirming POs were in the 2021-2022 school year.
- **6%** of all confirming POs were in the 2022-2023 school year.
 - Starting in July 2022, the Business Office created an open PO for this vendor with an amount that was estimated through an analysis of prior year’s spending to alleviate a confirming PO.
 - As of September 2023, any vendor used repeatedly throughout the year was created as an open PO to eliminate confirming orders (e.g., utilities, cleaning supplies, emergency towing, etc.).

Finding B: *Requestor Copies Not Attached (total per working papers = 33)*

- **79%** of requestor copies not attached were in the 2021-2022 school year.
- **21%** of requestor copies not attached were in the 2022-2023 school year.
 - Centralized purchasing, beginning in November 2022 helped reduce the percentage of missing requestor copies.

Finding C: *Missing Audit Checklist (total = 10)*

The 10 missing audit checklists highlighted in the Report equates to **5% of the 198 total claims** audited.

- **6** missing checklists (highlighted in the Report as 60%) were found in the 2021-2022 school year.
- **4** missing checklists (highlighted in the Report as 40%) were found in the 2022-2023 school year.

While we aim for 100% compliance, **we believe a correction is warranted on page 5 of the Report**, which states that “the Board” has not “consistently followed the recommended checklist in the 11 years since its implementation.” As the data underlying the report indicates, **the checklist was followed more than 95% of the time** during the audit period, July 2021 - April 2023, not across an 11-year time frame as reported.

See Note 1 Page 7

A related point to the Report’s Key Findings informing this second recommendation is that the Board of Education **hired a District Treasurer in July 2022**. The current administration, once appointed by the Board of Education in the school years 2021 & 2022, identified the same deficiencies noted in the Report and had begun taking steps to rectify the practices and procedures in need of attention. The resulting procedural changes implemented led to the decrease in exceptions as noted in the Report on page 5: “72% decrease in exceptions since July 1, 2022, under this current administration.”

Notable Highlights in Findings Section (pp. 3-5 of the Report)

While acknowledging the policy and procedures that need to be addressed, we believe it important to highlight that, as noted in the Report:

- All claims reviewed that purchases were for a “**valid District purpose and sufficiently itemized**” (p. 4).
- **The findings indicate only that an “increased risk** that improper or unsupported payments could have been made and gone undetected and uncorrected” (p. 5). The Report did NOT identify that any actual improper or unsupported payments were made within the scope of this audit.
- **“Our testing did reflect a 72% decrease in exceptions since July 1, 2022, under this current administration”** (p. 5).

We find the above statements notable and worth highlighting, while we also remain committed to promptly addressing the identified areas in need of improvement.

Requested Changes/Edits to the Draft Report

Upon reading the report and during the Exit Interview, we requested the following edits to be made to the Draft Report to ensure greater accuracy and transparency:

- a) **Page 2**, third paragraph under *Background*, “ASB along with...”. This statement is inaccurate as currently written. Strike “ASB along with...” and replace with “The Treasurer is responsible...”
- b) **Page 5**, first paragraph after the bulleted paragraph, last sentence beginning with “However...”. To more accurately reflect the time period that this audit covered, we request that the statement be **reworded** to reflect a similar timeframe, as opposed to the currently worded statement which assumes an 11-year time period, which was NOT the period of time covered in the audit.

See
Note 2
Page 7

See
Note 1
Page 7

In response to the Claims Auditing Report submitted to Fire Island Union Free School District, we have thoroughly reviewed the findings and appreciate the comprehensive insights and details provided by the auditors. We recognize the importance of the items highlighted and are committed to addressing them proactively. A detailed corrective action plan will be provided to rectify the identified action areas and to strengthen our processes. In addition, we value the collaborative efforts with the State Comptroller's Office and appreciate your consideration of the requested changes. We continue to welcome ongoing communication to ensure a transparent and cooperative resolution to the recommendations made in the report and are confident this will lead to continuous improvement of our district operations.

Sincerely,

Travis Davey
Superintendent

Jackie Lizza
Assistant Superintendent for
Business and Operations

Jay Lippert
President, Board of Education

Appendix B: OSC Comments on the District's Response

Note 1

We clarified the audit report to note the recommended checklist was not consistently followed during our audit period.

Note 2

We have modified our report to reflect this change, as agreed upon at our exit discussion.

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 reviewed District policies and procedures related to the claims audit process and interviewed the Board President, Superintendent, ASB, District Treasurer and District Clerk to gain an understanding of the claims audit process.
- We reviewed all warrants that totaled our population of 1,011 claims totaling \$4,688,873 which was used to make our selection.
- From a population of 1,011 claims totaling \$4,688,873 paid during our audit period, we used our professional judgment to select a sample of 20 percent of claims paid, or 198 claims totaling \$258,969. We selected our sample to include claims from eight months, which was one month from each fiscal quarter for the audit period. We excluded from our sample, claims for: utilities, insurance, health benefits, school board associations, and payments to the Town of Islip. The claims selected were reviewed by the Board during our audit period and included claims for a variety of vendors.

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.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

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