



# Inlet Common School District

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## Claims Processing

**2023M-180 | March 2024**

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# Report Highlights

## Inlet Common School District

### Audit Objective

Determine whether Inlet Common School District (District) claims were adequately supported, for appropriate purposes, audited and approved before payment.

### Key Findings

Claims that we reviewed were supported and for appropriate purposes but did not have evidence that they were audited and approved before payment. As a result, the District has an increased risk that unauthorized claims could be paid. The Board and District officials did not provide effective oversight of claim processing and payment.

- Board members did not document the date that they authorized claims to be paid.
- District officials used a debit card to pay for 60 purchases totaling \$6,840 that were not subject to Board approval.

### Key Recommendations

The Board should:

- Sign and date warrants when authorizing claims for payment.
- Monitor the Treasurer's claims processing duties.
- Consider discontinuing using a debit card for District purchases.
- Approve all claims before payment.

District officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

### Audit Period

July 1, 2021 – October 31, 2023

### Background

The District is located in Hamilton County. The District's three-member Board of Trustees (Board) is responsible for managing the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with the Treasurer, for the District's day-to-day management under the Board's direction. The District Treasurer serves as the District's bookkeeper and is responsible for maintaining the District's financial records.

The District does not operate any schools. Instead, it pays tuition for all students to attend the Town of Webb Union Free School District. The District maintains two buildings: one that serves as a community center and another that serves as the District's offices.

#### Quick Facts

Student Enrollment	25
2023-24 Adopted Budget	\$1.2 million
Claims Processed	375

# Claims Processing

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## What Is an Effective Claims Payment Process?

A common school district (district) board of trustees (board) should audit all claims against the district before payment. A board should review every claim included on a warrant (list of claims) to ensure the claims have adequate supporting documentation and that the amounts claimed represent actual and appropriate district expenditures.<sup>1</sup> After completing the claims audit, the board members should sign and date a written order (warrant) authorizing the claims to be paid by the district treasurer.

When district officials or employees pay for goods or services using a debit card, the board cannot review the associated claims before payment. Debit card purchases cause the payments to be directly withdrawn from a district's bank account at the time of purchase, before the board can approve the claims. Due to this limitation, debit cards should not be used because they pose additional risks for unauthorized use, which may not be quickly detected.

When claims processing and payment duties are not segregated, a board should establish compensating controls to verify claims are for valid district purposes. Compensating controls include establishing oversight procedures to routinely review work performed by individuals who maintain custody of district funds and process and record claims in the accounting records. For example, the board should review bank statements, cancelled check images and bank reconciliations to independently verify that claim payments are for valid district purposes.

## The Board Did Not Properly Authorize Claims Prior to Payment

The Board did not properly document the dates of their approval of claims. The Treasurer prepared a monthly warrant for the Board to review and authorize. However, the warrant did not show any date when or evidence that it was reviewed or authorized. After Board members reviewed claims, they initialed but did not date the invoices supporting the claims. Furthermore, the Board meeting minutes did not provide a date when the Board authorized the claims for payment. Without a date indicated, officials cannot verify that the claims were paid after the Board authorized them.

The warrants were prepared in pencil by the Treasurer. Because these warrants were written in pencil, the District has a risk that claim amounts and payees listed on the warrant could be changed or altered and payments could be made for non-District purposes.

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<sup>1</sup> <https://www.osc.ny.gov/local-government/publications/claims-auditing-process/introduction>

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Also, the Treasurer was assigned all claims processing duties, but the Board did not oversee her work. The Treasurer's duties included preparing the warrant, providing the related claims for the Board to review, processing check disbursements, signing and mailing checks, recording the claims in the accounting records and reconciling bank statements.

We randomly selected 15 claims totaling \$401,853 that were generated during our audit period and determined that they were supported and for a valid District purpose. However, officials could not provide any evidence that the claims were reviewed and approved by the Board before they were paid because the invoices, warrant and Board meeting minutes did not provide the date that the Board audited the claims.

The Board members told us that the Treasurer presented a warrant to them at each Board meeting. However, they said they did not sign or date the warrant. Because the date of the Board's claims audit is not documented, the Board cannot ensure that claims are paid after it reviews and authorizes them.

### **Debit Card Purchases Prevented the Board from Approving Claims Before Payment**

We reviewed all 60 debit card transactions totaling \$6,840 that occurred during our audit period and determined they were for valid District purposes. They included online purchases for computer applications, supplies, insurance, subscriptions, training conferences and grant-related items. However, the use of a debit card to pay for these items created a risk of unauthorized, and possibly inappropriate, expenditure of District funds. In addition, two debit card transactions totaling \$829 were not included on a warrant for review by the Board.

The Superintendent, Treasurer and two Board members told us that they had not considered the implications of using a debit card to pay District claims. Because debit card purchases are made without independent Board review and authorization, the District has an increased risk that purchases could be made for improper payments.

### **What Do We Recommend?**

The Board should:

1. Sign and date warrants when authorizing claims for payment.
2. Monitor the Treasurer's claims processing duties, including reviewing bank statements, cancelled checks and bank reconciliations.

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3. Consider discontinuing the use of a debit card for District purchases.
  4. Approve all claims before payment.

The Treasurer should:

5. Discontinue preparing warrants in pencil.

# Appendix A: Response From District Officials

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## Inlet Common School District

Board of Education  
Lori Hansen, Chair  
Amanda Miller  
Jamie White



222 Route 28  
Inlet, NY 13360-0207  
Phone: 315.357.3305

Superintendent  
Christine Holt

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Inlet Common School District  
Claims Processing  
2023M-180

The Superintendent and the Board are in agreement with the findings of the Claims Processing Report of Examination, 2023M-180.

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

- 1. The Board should sign and date warrants when authorizing claims for payment.**  
After completing the claims audit, the board members will sign and date a written order (warrant) authorizing the claims to be paid by the district treasurer. The minutes of the Board of Education meetings will reflect the date when the Board authorized the claims for payment.
- 2. The Board should monitor the Treasurer's claims processing duties, including reviewing bank statements, cancelled checks and bank reconciliations.**  
The Board will monitor the Treasurer's claims processing duties including reviewing, bank statements, cancelled checks, and bank reconciliations. The Board will initial and date the above documents once they have been reviewed.
- 3. The Board should consider discontinuing the use of a debit card for District purchases.**  
The Board has suspended debit card purchases. Please let the record show that no evidence was found of unauthorized or inappropriate expenditures.
- 4. The Board should approve all claims before payment.**  
The Board will approve all claims before payment. The Board will properly document the dates of their approval of claims. As noted above, this will be included in the monthly minutes of the Board of Education meetings.
- 5. The Treasurer should discontinue preparing warrants in pencil.**  
All warrants are prepared in pen.

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Christine Holt  
Superintendent

3/7/24  
Date

*The mission of Inlet Common School District is to build an academic and social foundation in our community that will allow everyone to reach their full potential in a globally connected society.*

## 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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, and the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials to determine the process for the audit, approval and payment of claims.
- We randomly selected 15 of 375 claims to determine whether they were adequately supported, the supporting documentation matched the canceled check images for payee and amount and whether the claims were for a valid District purpose. The claims were paid by check disbursements totaling \$401,853 out of a total of \$2,341,321 (or 17 percent) during our audit period.
- We selected all 60 debit card withdrawals totaling \$6,840 that were included in the District's bank statements, received during our audit period, to determine the appropriateness of these transactions and whether they were authorized by the Board before payment, supported and for a valid District purpose.
- We reviewed the claims payment process to determine whether the Board and Superintendent implemented monitoring controls to ensure that only valid District claims were paid.

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



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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**

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

## Contact

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