



Newcomb Central School District

Claims Audit

2023M-159 | March 2024

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Report Highlights

Newcomb Central School District

Audit Objective

Determine whether Newcomb Central School District (District) claims were properly audited prior to payment.

Key Findings

District claims were not properly audited in accordance with New York State Education Law (Education Law) Section 1724 prior to payment.

We reviewed 90 claims totaling \$1.3 million and determined the Board of Education (Board) did not ensure 60 claims totaling \$1.2 million were audited and approved before payment.

Because claims were not properly audited prior to payment, there is an increased risk that improper or unsupported payments could have been made and may not be detected and corrected.

Key Recommendation

- Comply with Education Law, ensuring all claims are audited and approved prior to payment.

District officials generally agreed with our recommendation and indicated they planned to initiate corrective action.

Audit Period

July 1, 2021 – August 31, 2023

Background

The District serves the Town of Newcomb in Essex County.

The elected five-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 Treasurer oversees the District's business operations, including the accounts payable employee, who is responsible for processing claims.

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

Quick Facts

Claims Processed During the Audit Period

Number of Claims	1,267
Dollar Amount of Claims	\$6.6 million
Number of Claims Reviewed	90
Dollar Amount of Claims Reviewed	\$1.3 million

Claims Audit

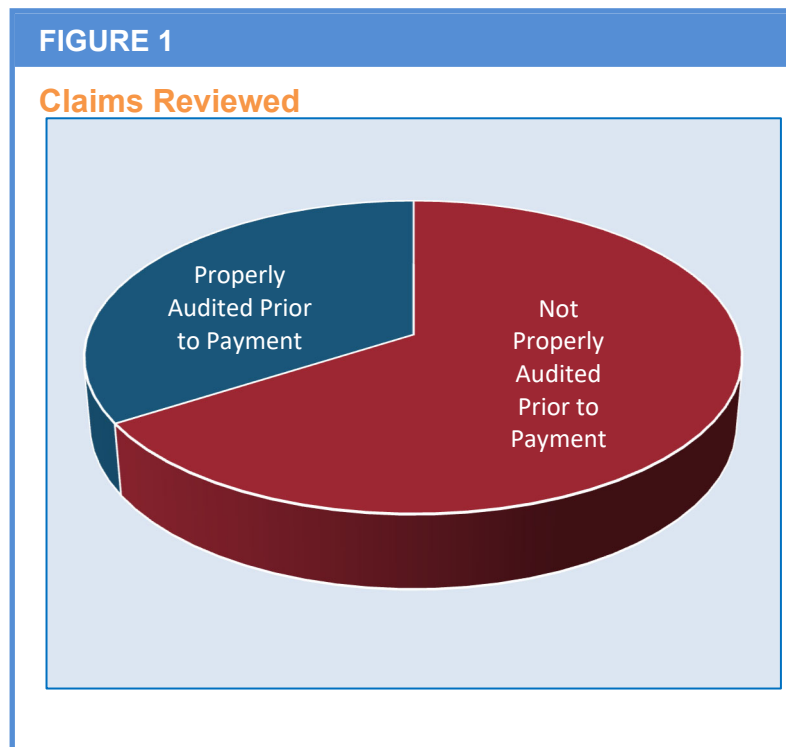
What Is a Proper Claims Audit?

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 supporting documentation so that the auditing body or official is supplied with sufficient information to make that determination (properly documented, proper approvals, documentation of receipt for goods/service, appropriate purpose). Generally, a school board must audit all claims against a school district before they are paid ¹ or appoint a claims auditor to assume the school board's powers and duties to audit and approve the school district's claims, per New York State Education Law (Education Law) Section 1724.

Claims Were Not Properly Audited Prior to Payment

The Board appointed a claims auditor, at its organizational meetings for the 2021-22 and 2022-23 fiscal years, to assume its powers and duties to examine and approve or disapprove claims. The claims auditor left her position in June of 2023 and, as of August 31, 2023, the District had not successfully secured a replacement.

We reviewed 90 claims totaling \$1.3 million for claims paid during our audit period and determined these claims were supported by adequate documentation and were for appropriate purposes. However, 60 claims (66 percent) totaling \$1.2 million were not audited before they were paid (Figure 1). This occurred because the appointed claims auditor was periodically unavailable to perform her duties



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.

due to travel and the Board did not perform the review and approval of claims in her absence, per Education Law. We determined 54 claims totaling \$1.1 million were paid prior to audit and an additional six claims, totaling \$66,607, related to library supplies, carpet installation, petty cash, sports uniforms, security door service and a staff luncheon remained unaudited.

The Board President told us that, on a monthly basis, the Board reviewed the warrants (listing of claims to be paid) for anomalies (e.g., unfamiliar vendor, claim date outside of a billing cycle, unreasonable amounts) but never performed a thorough review that would serve as a claims audit as required. The Board President further told us the Board was aware when the claims auditor was not available to perform her duties, but thought she would audit the claims upon her return. However, the Board meeting minutes reflected the Board accepted the warrants 'as audited by the claims auditor' when the audit had not occurred. For example, the February 9, 2023 minutes indicated the Board accepted the January 2023 warrant 'as audited by the claims auditor,' but the claims auditor did not approve the warrant until May 5, 2023.

This resulted in claims being paid between one to 105 days prior to audit. The Board allowed this to happen because it thought that the Business Office was properly paying claims. As a result, the Board did not fulfill its responsibility to audit claims when the claims auditor was not available to do so. Additionally, the District's May 2023 through July 2023 paid claims (totaling \$66,607) remained unaudited as of August 31, 2023. When claims that are not allowed to be paid in advance are paid before the claims auditor's audit and approval, there is an increased risk that improper payments could be made.

What Do We Recommend?

The Board should:

1. Comply with Education Law, ensuring all claims are audited and approved prior to payment by the Treasurer.

The Treasurer should:

2. Ensure all claims, other than those allowed to be paid in advance of audit, are audited and approved by the claims auditor, or Board, prior to payment.

Appendix A: Response From District Officials



Newcomb Central School District

Christian M. Fisher, Superintendent of Schools

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5535 State Route 28N
Newcomb, New York 12852

Phone: 518-582-3341 FAX: 518-582-2163
www.newcombcasd.org

Secretary to Superintendent
Pamela Bush

School District Clerk
Melissa Yandon

School District Treasurer
Colleen Sage

March 13, 2024

Mr. Gary Gifford
Chief of Municipal Audits
One Broad Street Plaza
Glens Falls, NY 12801

Email: Muni-GlensFalls@osc.ny.gov

Dear Mr. Gifford,

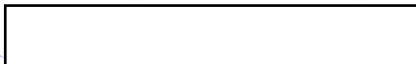
Please accept this letter as the Newcomb Central School District's official response to the draft audit report (2023M-159) – Claims Audit, conducted by the New York State Comptroller's Office for the time period July 1, 2021 – August 31, 2023.

District officials have reviewed the draft report and met with the auditors to discuss the key audit findings and recommendations. We agree with your findings and recommendations to implement procedural safeguards to ensure compliance with Education Law. We recognize how important the claims auditing process is and we will work to improve and strengthen the process. Prior to the receipt of the draft audit report, we have worked to implement changes to ensure that all claims are audited and approved prior to payment.

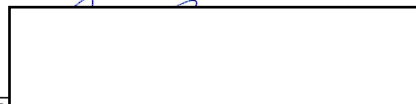
We appreciate this opportunity to respond to the findings and recommendations. A comprehensive corrective action plan will be submitted to your office and the New York State Education Department no later than 90 days after the final report is released.

The Newcomb Central School District would like to thank the New York State Comptroller's Office for their high level of professionalism, communication and thorough work done while conducting their in-depth review of our District. We welcome ongoing communication and collaboration to ensure continuous improvement of our district's operations.

Respectfully,



Christian M. Fisher
Superintendent



Peter Armstrong
President, Board of Education

Appendix B: 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. 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, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials, the Board President, former 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 1,267 checks totaling \$6.6 million, we used our professional judgment to select a sample of 50 checks used to pay 90 claims totaling \$1.3 million. We selected our sample to include accounts payable checks issued throughout the audit period.
- We reviewed the 90 claims to determine whether they were supported by adequate documentation (itemized invoice, indication that goods and services were received), for appropriate purposes 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 C: 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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<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

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