

Southwestern Central School District

Claims Audit

2025M-34 | July 2025

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Audit Results

Southwestern Central School District



Audit Objective

Audit Period

Did the Southwestern Central School District (District) Board of Education's (Board) appointed claims auditor properly audit claims prior to payment?

July 1, 2023 – January 22, 2024

Understanding the Program

The audit of claims is often the last line of defense for preventing unauthorized, improper or fraudulent claims from being paid. A board of education (board) must audit the 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. A proper claims audit ensures all claims are subjected to an independent, thorough and deliberate review that, among other things, determines that the school district complied with its written policies, and that each purchase was for a proper school district purpose.

The Board delegated its claims auditing duties to the Erie-2-Chautauqua-Cattaraugus Board of Cooperative Educational Services (BOCES) central business office (CBO). The BOCES CBO Manager assigned two BOCES employees to audit the District's claims. These two employees were responsible for examining and allowing or rejecting all accounts, charges, claims or demands against the District.

The District's 2023-24 budgeted appropriations totaled \$33.1 million and, during the audit scope period, the District processed 1,467 claims totaling \$24.2 million.

Audit Summary

The claims auditors did not properly audit all claims prior to payment. Of the 1,467 claims totaling \$24.2 million, we reviewed 266 claims¹ totaling \$7.7 million (some claim packets contained multiple exceptions) and determined that:

- 230 claims (86 percent) totaling \$6.5 million should not have been approved by the claims auditors for payment because the claim packets did not contain sufficient supporting documentation to allow the claims auditor to determine whether the claim was a valid legal

¹ See Appendix C for more information on our sampling methodology.

obligation, a proper charge against the District, properly approved, mathematically correct, or in compliance with the District's purchasing policies.

- 14 BOCES claims (5 percent) totaling \$5.2 million were not properly audited as it was the Board's responsibility to do so because the claims auditors were employees of BOCES. When the Board audits these claims, it avoids the appearance of a conflict of interest that would result from the appointed claims auditor reviewing their own or their employer's claims for payment.

While we reviewed each of the 266 claims and were able to determine that each claim was for a proper District purpose, when an inadequate audit of claims is performed, there is an increased risk that improper or unsupported payments could be made and not be detected or corrected.

In addition, the Board did not appropriately appoint the claims auditor. The Board inappropriately appointed the BOCES CBO as the claims auditor instead of a specific individual.

The report includes six recommendations that, if implemented, will improve the effectiveness of the District's claims audit process. District officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

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. Our methodology and standards are included in Appendix C.

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 the New York State General Municipal Law, Section 2116-a (3)(c) of the 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.

Claims Audit Findings and Recommendations

A claim packet typically includes a standard claim form (as a cover sheet) and a combination of original invoices, receiving slips, other relevant documentation such as receipts and written quotes. A claim packet should contain enough detail and adequate supporting documentation so that the auditing body, or official, is supplied with sufficient information to determine that a claim is a legal obligation and a proper charge against the school district. Generally, a claim packet would include a combination of original itemized invoices and receipts, receiving slips, other relevant documentation such as a purchase order and original quotes and the standard claim form.

According to Education Law Section 1724, the board must audit all claims against the school district before they are paid or, according to Education Law Section 1709(20-a), appoint a claims auditor to assume the board's powers and duties to audit and approve claims. Although the board would no longer be responsible for auditing and approving claims, the board remains responsible for ensuring that the individual appointed to audit claims conducts a proper audit of claims.

According to Education Law Section 1709(20-a), when the board delegates the claims audit function using a shared service or contractual arrangement, to avoid a conflict of interest that would result from the appointed claims auditor reviewing their own or their employer's claims for payment, the board must audit all claims from the entity that provides the claims audit service or delegate the audit and approval of these claims to another independent party to maintain the independence of the claims audit function. More details on the criteria used in this report as well as resources we make available to local and school district officials that can help them improve their claims audit function (Figure 1) are included in Appendix A.

Finding 1 – Claims were not always properly audited prior to payment.

We reviewed 266 of the 1,467 claims paid during the audit period, totaling \$7.7 million, and determined that 230 claims (86 percent) totaling \$6.5 million should not have been approved by the claims auditor for payment because the claim packets did not contain sufficient supporting documentation as detailed below (some claim packets contained multiple exceptions):

- 199 claim packets totaling \$6.4 million did not contain evidence such as original quotes, bidding documentation or itemized receipts to demonstrate that the purchases complied with Board-adopted purchasing policies which require officials and employees to obtain competitive price quotes. Although we were able to obtain additional information and verify that purchases were for a valid District purpose, the claims auditor was not provided with this information and should not have approved the claims for payment.
- 100 claim packets totaling \$3.1 million did not contain sufficient evidence such as a signed purchase order and/or claim form for the claims auditor to verify that the purchases were properly approved by the purchasing agent.

-
- 48 claim packets totaling \$5.5 million did not contain sufficient evidence (e.g., packing slip, delivery receipt or receiving signature) to support that goods or services purchased were received. As a result, officials paid \$5.5 million without knowing whether the goods or services were received. We were able to physically view the goods purchased for seven claims totaling \$5,244 and held discussions with District officials for the remaining 41 claims and determined that the goods and services were actually received by the District.
 - 45 claim packets totaling \$5.5 million did not contain sufficient evidence (e.g., receipts and invoices) for the claims auditors to verify that the claim packets were mathematically correct or that the claim's pricing, when applicable, matched New York State contract pricing, quotes, or vendor agreements. For example, we reviewed these 45 claim packets and determined that 18 claim packets totaling \$5.3 million were supported by documentation such as the supporting invoices and/or receipts that did not total to or match the amount paid for the claim. Specifically, 10 claim packets totaling \$5.2 million were supported by documentation totaling \$2.1 million more than the amount approved to be paid and seven claim packets totaling \$152,000 were supported by documentation totaling \$4,000 less than the amount approved to be paid, and one credit card claim packet totaling \$7,000 which had three purchases that were supported by documentation totaling \$900 more than the amount approved to be paid and two purchases that were supported by documentation totaling \$100 less than the amount approved to be paid. As a result, the claims auditor could not ensure that the District was paying the proper amount.

The claims auditors told us that if the purchasing agent's signature was present in the claims packet, they assumed that the purchasing agent had already reviewed the claim for validity and compliance with District policies. Therefore, if the purchasing agent approved claims, the claims auditors approved the claims for payment even when the claim packets lacked sufficient supporting documentation. However, a claims auditor should perform a thorough and independent audit of the claims and deny any claims for payment that do not have sufficient supporting documentation.

Furthermore, the Board's expectations for the claims audit were not communicated directly to the claims auditors. Had the Board's expectations been communicated to the claims auditors, the claims auditors would have known that they were responsible for a thorough and independent audit of claims, and that they should not rely on the review of others.

We were able to obtain the supporting documentation needed to determine that all claims paid within our sample were for an appropriate District purpose. However, when an inadequate audit of claims is performed, there is an increased risk that improper or unsupported payments could have been made and not been detected or corrected.

Recommendations

1. The Board should clearly communicate its expectations for the claims audit directly with the claims auditor and ensure that the claims auditor perform a proper claims audit that includes determining

whether a claim is accurate, properly authorized, supported, itemized, approved and is for a valid District purpose and in compliance with District policies.

2. The claims auditor should perform a thorough and proper audit of all claims before payment.

Finding 2 – The Board did not properly appoint a claims auditor.

On December 13, 2022, the Board approved the resignation of the District's claims auditor and appointed the BOCES CBO to provide claims auditing services through June 30, 2023. The Board inappropriately appointed the BOCES CBO as the claims auditor instead of a specific individual. The BOCES CBO Manager assigned two claims auditors to perform the claims audit for the District instead of a single claims auditor.

The four Board members we spoke with told us that they were not aware of the specific requirements for appointing the claims auditor and that they had not taken training specific to the claims auditor's appointment responsibilities. We attempted to contact the three remaining Board members to discuss the appointment of the claims auditor; however, they did not respond.

As a result, the Board's expectations for the claims audit were not communicated directly with the claims auditors and the claims auditors did not communicate directly with the Board. When the claims auditor does not report all findings and deficiencies directly to the Board, identified issues may go unresolved. Giving the Board more complete information allows the Board to monitor compliance with existing policies, and if needed, make changes to policy or require that additional procedures be implemented.

Recommendations

3. The Board should appoint a claims auditor in compliance with Education Law 1709(20-a) and communicate its expectations regarding claims audit responsibilities directly to the claims auditor.
4. The Board should attend training that addresses the auditing and oversight responsibilities of the Board.
5. The claims auditor must report all the deficiencies identified in the claims audit directly to the Board.

Finding 3 – The Board did not audit BOCES claims.

The claims auditors inappropriately audited and approved all 14 BOCES claims packages totaling \$5.2 million, instead of the Board. These claims included invoices for contracted services; summer school services and expenses related to conferences, such as attendance and meals.

The four Board members we spoke with told us that they were not aware that a conflict of interest would arise as a result of the BOCES claims auditors auditing the claims of their employer. These four Board members also told us that they had not taken training specific to their claims audit responsibilities. Two of the four Board members we spoke with agreed that an employee auditing claims from their own employer would be an independence issue.

When a BOCES directly provides claims auditing services to a school district using a BOCES employee, while also providing goods and other services to the same school district, the claims auditor is in the position of approving significant claims submitted by BOCES, their employer. As a result, the claims auditor's objectivity and independence is compromised.

Recommendation

6. The Board should ensure that BOCES claims are audited by the Board or an independent party.

Appendix A: Profile, Criteria and Resources

Profile

The District's boundaries include the Towns of Busti, Ellicott and Harmony in Chautauqua County. The seven-member Board is responsible for the District's general management and control of financial affairs.

The Superintendent of Schools is the chief executive officer responsible for the District's day-to-day management. The School Business Official is responsible for general oversight of all purchasing activities, serves as the District's purchasing agent and approves all purchase orders.

The Board delegated its claims auditing duties to the BOCES CBO who appointed two individuals to audit and approve the District's claims.

The District's 2023-24 budgeted appropriations totaled \$33.1 million and during the audit scope period the District processed 1,467 claims totaling \$24.2 million.

Criteria – Claims Audit

A board must audit the 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. The claims auditor is responsible for examining and allowing or rejecting all accounts, charges, claims or demands against the school district.

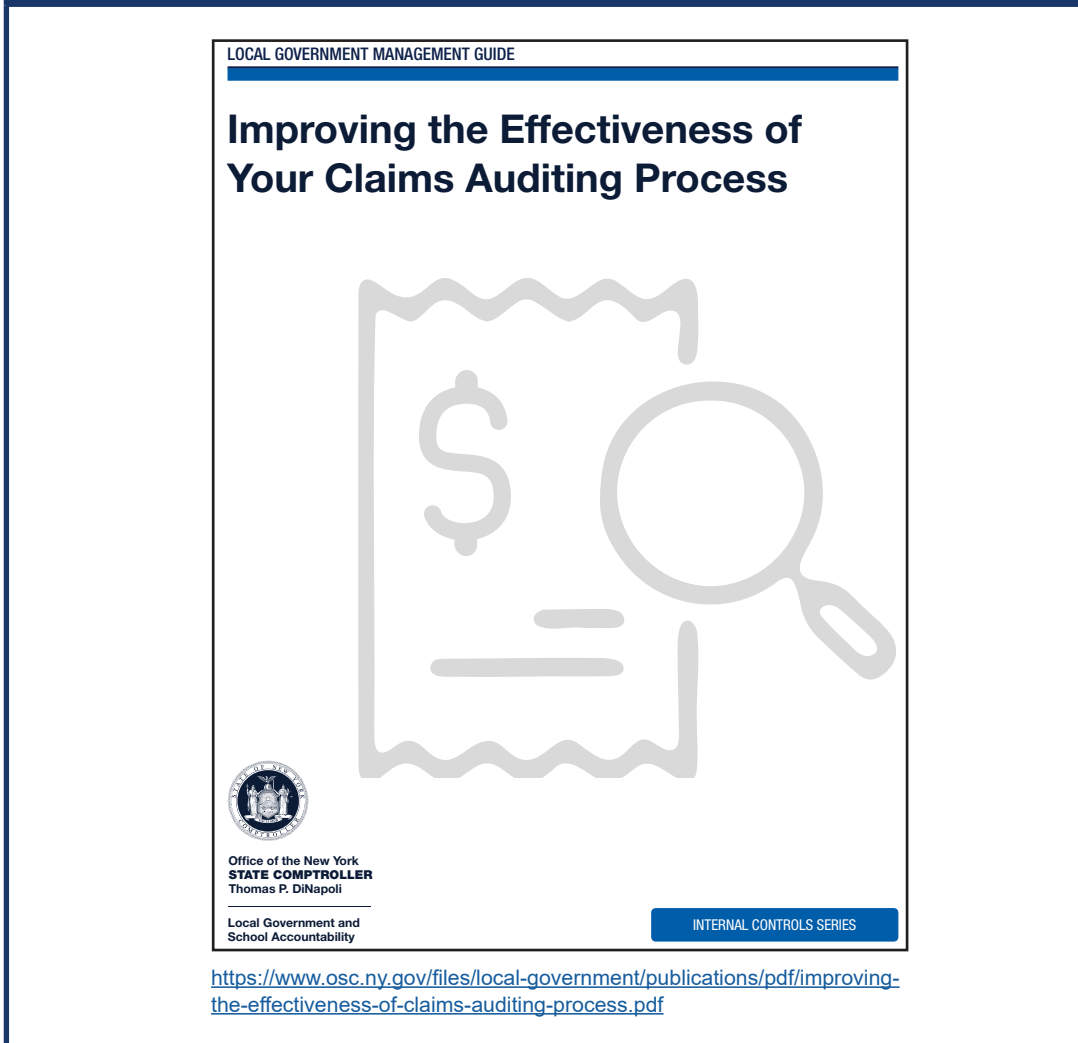
A proper claims audit is a thorough and deliberate examination to determine that a claim is a legal obligation and proper charge against the school district. A claim packet should contain enough detail and supporting documentation so that the auditing body or official is supplied with sufficient information to make that determination.

A claims auditor's responsibilities include determining whether claims are:

- For a valid and legal purpose,
- Properly authorized and approved,
- Mathematically correct,
- Sufficiently itemized,
- Following procurement requirements,
- For received goods or services as described,
- Not duplicates of claims that have already been paid, and
- Sufficiently supported, with documentation such as detailed receipts, invoices and packing slips.

Additional Claims Audit Resources

FIGURE 1: Improving the Effectiveness of Your Claims Auditing Process



We also offer the webinar Improving the Effectiveness of Your Claims Auditing Process which can be found on our website at: <https://www.osc.ny.gov/local-government/academy/webinars>

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

Appendix B: Response From District Officials



July 16, 2025

Melissa A. Myers
Chief of Municipal Audits
Office of the State Comptroller
Buffalo Regional Office
295 Main Street
Suite 1032
Buffalo, New York 14203-2510

Re: Southwestern Central School District's Audit Response Letter to Report of Examination
2025M-34 (Claims Audit)

Dear Ms. Myers:

Please accept this letter as Southwestern Central School District's initial response to the draft Report of Examination for audit 2025M-34, pending issuance of the final report and Board of Education action. This audit covered claims processing for the period of July 1, 2023 through January 22, 2024, which was released to the District June 18, 2025.

The District accepts all of the findings and agrees with all of the recommendations. The District will complete any required Corrective Action Plan, and file the same within the time period specified by law. In the interim, the District wishes to take this opportunity to provide a brief response to certain points in the Report of Examination, as follows:

Audit Recommendation #1:

"The Board should clearly communicate its expectations for the claims audit directly with the claims auditor and ensure that the claims auditor performs a proper claims audit that includes determining whether a claim is accurate, properly authorized, supported, itemized, approved and is for a valid District purpose and in compliance with District policies."

Initial District Response:

As noted in the Report of Examination, the District, similar to other districts, engaged the services of the Erie-2-Cattaraugus-Chautauqua Board of Cooperative Educational Services (BOCES) and its Central Business Office (CBO) to serve as the claims auditor. Once permitted by your office to do so, the District will review the Report of Examination with appropriate BOCES and CBO officials as requested and directed in the said Report of Examination.

Audit Recommendation #2

"The claims auditor should perform a thorough and proper audit of all claims before payment."

Southwestern Central School District / 600 Hunt Road, W.E. / Jamestown, NY 14701 / (716) 484-6800

Initial District Response:

As noted in the Report of Examination, the District, similar to other districts, engaged the services of the Erie-2-Cattaraugus-Chautauqua Board of Cooperative Educational Services (BOCES) and its Central Business Office (CBO) to serve as the claims auditor. Once permitted by your office to do so, the District will review the Report of Examination with appropriate BOCES and CBO officials as requested and directed in the said Report of Examination.

Audit Recommendation #3:

"The Board should appoint a claims auditor in compliance with Education Law 1709(20-a) and communicate its expectations regarding claims audit responsibilities directly to the claims auditor."

Initial District Response:

The District already identified and appointed the individuals serving as Claims Auditor and Deputy Claims Auditor in the Board's March 11, 2025 meeting.

Audit Recommendation #4

"The Board should attend training that addresses the auditing and oversight responsibilities of the Board."

Initial District Response:

The Board regularly undergoes trainings on a variety of topics and duties. Past trainings have included claims auditing and other topics mandated by law, including but not limited to required trainings for newly-elected Board members. The Board will continue to seek out and participate in such trainings, and will do so with a specific focus on auditing and oversight responsibilities.

Audit Recommendation #5

"The claims auditor must report all deficiencies identified in the claims audit directly to the Board."

Initial District Response:

The Board and/or its Audit Committee regularly meet with BOCES and its CBO officials to review their claims auditing. The Board and/or its Audit Committee endeavor to do so quarterly, where possible. Once permitted by your office to do so, the District will review the Report of Examination with appropriate BOCES and CBO officials as requested and directed in the said Report of Examination.

Audit Recommendation #6

"The Board should ensure that BOCES claims are audited by the Board or an independent party."

Initial District Response:

The Board will ensure claims for payments to BOCES are audited by the Board or a party independent of BOCES and its CBO.

The District wishes to commend the auditors for their professional demeanor and thank them for the information provided in the draft Report of Examination. The District and its Board of Education take their obligations to maintain the District's financial records and funds very seriously. The Board of Education and Administration view such findings and recommendations as an opportunity to continue ongoing efforts to improve governance and operations in the District.

As always, the District will continue to implement policies and procedures that provide students, employees, and the school community a fiscally responsible environment.

The District appreciates the time and effort undertaken by the Comptroller's Office.

Sincerely,

Molly Moore
Superintendent

Appendix C: Audit Methodology and Standards

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, including Board members, the claims auditors 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 1,467 claims totaling \$24.2 million, we used our professional judgment to select a sample of 266 claims totaling \$7.7 million. We selected our sample to include all claims paid during November 2023 and August 2024 which represented the month in each year of the audit scope period that had the greatest number of transactions occurring and all 14 BOCES claims totaling \$5.2 million that were paid during the scope period. The claims selected were reviewed by the claims auditors during our audit period and included claims from a variety of vendors.
- We reviewed these claims to determine whether the claims were:
 - For a valid and legal purpose,
 - Properly authorized and approved,
 - Mathematically correct,
 - Sufficiently itemized,
 - Following procurement requirements,
 - For received goods or services as described,
 - Sufficiently supported, with documentation such as detailed receipts, invoices and packing slips.

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 relevant population size and the sample selected for examination.

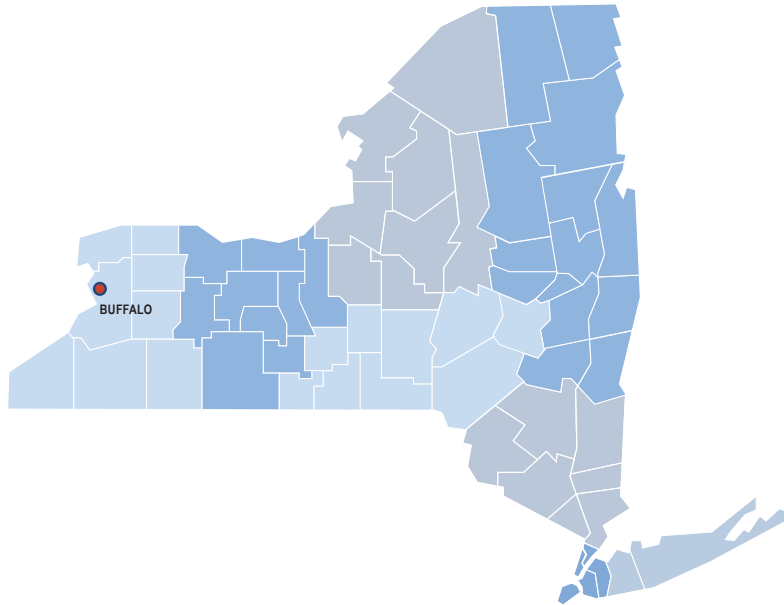
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