

Fort Plain Central School District

Claims Audit Process

NOVEMBER 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Contents

- Report Highlights 1**

- Claims Audit Process 2**
 - What is an Effective Claims Audit Process? 2
 - The District Has an Effective Claims Audit Process 2

- Appendix A – Response From the District Officials 4**

- Appendix B – Audit Methodology and Standards 5**

- Appendix C – Resources and Services 6**

Report Highlights

Fort Plain Central School District

Audit Objective

Determine whether claims were adequately documented, were for appropriate purposes and were properly audited and approved prior to payment and in a timely manner.

Noteworthy Achievements

Due to the District's well designed system of internal controls over claims processing, we performed limited testing to determine if these procedures were being followed consistently. We reviewed 79 of the 4,439 claims totaling \$122,475 and found that control procedures were followed for all claims selected ensuring they were adequately documented, for appropriate purposes and were properly audited and approved prior to payment and in a timely manner.

There were no recommendations as a result of this audit.

Background

The Fort Plain Central School District (District) serves parts of the Towns of Minden, Palatine, and Canajoharie in Montgomery County, Danube in Herkimer County, and Ephratah in Fulton County. The District is governed by a Board of Education (Board) which has seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is responsible for the District's day-to-day management.

The Board has delegated its claims auditing responsibility to a claims auditor. The claims auditor reports directly to the Board and is responsible for examining, and allowing or rejecting, all accounts, charges, claims or demands against the District.

Quick Facts

Employees	250
Enrollment	815
2017-18 Appropriations	\$19.9 million

Audit Period

July 1, 2016 – December 31, 2017

Claims Audit Process

What is an Effective Claims Audit Process?

New York State Education Law requires a board to audit all claims before they are paid or to appoint a claims auditor to assume the board's powers and duties to examine and approve or disapprove claims. An effective claims process ensures that every claim against the district is subjected to an independent, thorough and deliberate review in a timely manner prior to authorizing payment; that the claim contains adequate supporting documentation to determine whether it complies with statutory requirements and district policies; and that the amounts claimed present actual and necessary district expenditures. Furthermore, establishing and adhering to effective claims auditing procedures decreases the risk that errors or irregularities in processing and paying claims could occur and not be detected in a timely manner.

The District Has an Effective Claims Audit Process

District officials have established adequate procedures to ensure that claims are adequately documented and supported, are for appropriate purposes and are audited and approved timely and prior to payment. The claims auditor conducts a thorough examination of each claim to determine whether it was for appropriate District purposes, the goods or services were received and the claim is adequately documented and supported (i.e., with an itemized invoice, claim form, purchase order and documentation of receipt of goods or services).

The office clerk compiles the claim-supporting documentation, assembles the claims packets and submits them to the Deputy Treasurer. The Deputy Treasurer inputs the claims into the accounting system, prepares the warrant (list of claims) and prints the checks¹ on a bi-weekly basis. The warrant is prepared with sequential check numbers, which are not removed. If there is a voided check, the amount of the voided check is deducted from the warrant and documented. After the warrant and checks have been printed, the Deputy Treasurer submits the claim packets, warrant and checks to the claims auditor for review.

The claims auditor puts a check mark next to each claim on the warrant as they are reviewed. If she identifies any exceptions during her review (e.g., incorrect name or address, missing receiving documentation, invoice discrepancies, no purchase order or tax included), she lists the exceptions on an exception report and submits it to the Deputy Treasurer for corrective action. After corrective action has been taken, claims with exceptions are resubmitted on the next warrant to the claims auditor for review and approval. The claims auditor signs the warrant

The claims auditor conducts a thorough examination of each claim.

¹ Good internal controls require checks to be printed after the claims auditor's review and approval. Although the District process is to prepare checks prior to the claims auditors review, checks were not distributed until after the claims auditor reviewed and approved the associated claims.

certification, records the total amount of the warrant and the number of checks, and gives the approved warrant and checks to the Deputy Treasurer who then provides the office clerk with the checks for distribution.

Due to the District's well designed system of internal controls, we performed limited testing to determine if these procedures were being followed consistently. We reviewed 79 claims totaling \$122,475 of the 4,439 checks² paid during our audit and found that the control procedures were followed for all of the claims selected to ensure they were adequately documented, were for appropriate purposes and were properly audited and approved in a timely manner prior to payment.³

² The random sample was taken from 4,439 checks, totaling \$14,274,424, dated from July 1, 2016 through December 31, 2017.

³ Although we found the 50 checks associated with the 79 claims were printed prior to claims audit, we reviewed the dates these checks were cashed against the District's bank account and found they were all paid after the claims were audited.

Appendix A: Response From District Officials

FORT PLAIN CENTRAL SCHOOL

David W. Ziskin, Superintendent of Schools

November 2, 2018

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

RE: Fort Plain Central School District Response to the Office of the State Comptroller Report of Examination, Period Covering July 1, 2016 through December 31, 2017

To the Office of the State Comptroller:

Fort Plain Central School District is in receipt of the Draft Report of Examination for the period of July 1, 2016 to December 31, 2017. Please consider this letter our response to the audit conducted relating to this period.

The Board of Education, administration, and our entire business office team would like to thank the staff of the Comptroller's Office for their professionalism while conducting the audit. The staff was courteous and extremely helpful throughout the process.

The primary focus of the audit was the claims audit process. The district is pleased that the audit resulted in no findings of a material weakness nor recommendations for improving operations. We appreciate the time the Comptroller's Office took to examine our internal controls as well as comment on the effectiveness of our operation. Having taken steps in the past to tighten separation of duties amongst internal and external staff, our efforts were validated by this most recent lack of additional recommendations.

Thank you for your continued input and guidance over our financial obligation to the taxpayers and students of the Fort Plain Central School District. We continue to strive to balance educational opportunities to prepare our students for success beyond graduation, with fiscal responsibility and accountability.

Sincerely,

David W. Ziskin, Ed.D.
Superintendent of Schools

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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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We reviewed Board reorganizational meeting minutes from the 2017-18 fiscal year to determine whether the Board appointed a claims auditor.
- We interviewed District officials and the claims auditor to gain an understanding of the procedures for the audit, approval and payment of claims.
- From the 2016-17 school year and 2017-18 school year as of December 31, 2017, we randomly selected 50 checks (about 1% of the total from the general, food service and special aid funds) which were for the payment of 79 claims totaling \$122,475. Due to the District's well designed system of internal controls, we limited our testing to only 50 checks to determine whether the corresponding claims were adequately documented, were for appropriate purposes and were properly audited and approved prior to payment and in a timely manner.

We conducted this performance audit in accordance with GAGAS, generally accepted government auditing standards. 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.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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