

Hermon-DeKalb Central School District

Claims Auditing

DECEMBER 2019



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

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Report Highlights

Hermon-DeKalb Central School District

Audit Objective

Determine whether claims were adequately documented, were for appropriate purposes and were properly audited and approved before payment.

Noteworthy Achievements

Due to the District's well-designed system of internal controls, we designed our testing to determine whether the District's control procedures were consistently followed.

We reviewed 82 claims totaling \$560,008 of the \$4.5 million (12 percent) claims paid during our audit period. We found that for the claims reviewed, procedures were followed and these claims were adequately documented, for appropriate purposes and properly audited and approved before payment.

District officials implemented well-designed internal controls over the claims audit process. There were no recommendations as a result of this audit.

Background

The Hermon-DeKalb Central School District (District) serves the Towns of Canton, DeKalb, Hermon and Russell in St. Lawrence County. An elected nine-member Board of Education (Board) is responsible for managing the District's financial and educational affairs. The School Superintendent is responsible, along with other administrative staff, for the 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	75
Enrollment	400
2018-19 General Fund Appropriations	\$10.7 million
Total Voucher Payments From All Funds for the Audit Period	\$4.5 million

Audit Period

July 1, 2018 – June 30, 2019

Claims Processing

The Board entered into a shared service agreement with the St. Lawrence-Lewis Board of Cooperative Educational Services (BOCES) for the claims audit function. A BOCES employee serves as the claims auditor and is responsible for auditing all claims of the District, except for BOCES claims for cooperative services and health insurance that are audited and approved by the Board.

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.¹ An effective claims process ensures that every claim against the district is subjected to an independent, thorough, deliberate review before authorizing payment.

The audit should ensure that each claim contains adequate supporting documentation to determine whether the claim complies with statutory requirements and district policies and that the amount claimed represents an actual and necessary expenditure. The claims auditor should determine whether the claims are properly itemized and supported and whether the district received the goods or services described on each claim.

The District Has an Effective Claims Audit Process

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

The accounts payable clerk (clerk) prepared claim packets that included a checklist for auditing each claim. The clerk completed steps on the checklist to verify that multiple purchase order copies matched and the receiving copy was signed. In addition, the clerk completed checklist steps to ensure that invoices were complete, full, partial or duplicate payment requests were identified, account codes were accurate and quotes were obtained according to procurement guidelines.

¹ Education Law, Section 1724 provides an exception to the claims audit requirement for compensation paid to officers or employees and debt service. It also allows a board, by resolution, to 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. Education Law, Section 1709 authorizes a board to appoint a claims auditor to audit and approve claims.

The claims auditor completed steps on the checklist to verify:

- The vendor was appropriate for District business.
- Authorized signatures were written on the receiving copy of the purchase order.
- The claim was for appropriate expenditures.
- The invoice price was within approximately 15 percent of the purchase order amount.
- The purchase order date preceded the invoice date.
- All available purchase discounts were taken.
- There was no evidence of sales tax.
- The invoice price matched the bid, quote or contract price.
- Claims were mathematically accurate.
- Vouchers and receipts were properly itemized to identify the specific items or services purchased.
- Packing slips were included, if applicable.
- Authorized signatures were evident (purchasing agent, administrator).
- Invoice amount matched the warrant register amount.
- The purchase order was included.
- Quotes were obtained according to the procurement guidelines.

Once the claims auditor completed the review of claims and the warrant and compared unsigned checks to the claims, the claims auditor stamped each claims packet “approved,” initialed each claim and certified the warrants before returning the claims to the Business Manager with the approval for payment. The claims auditor also signed a certification on the bottom of each checklist to show the claim was audited and approved for payment.

If the claims auditor identified any exceptions while reviewing the claims (e.g., incorrect name or address, missing documentation, invoice discrepancies, no purchase order or tax included), the claims auditor questioned District officials and required a corrective action plan or additional documentation. Once corrective action was taken, claims with exceptions were resubmitted to the claims auditor and approved for release. The claims auditor listed all exceptions and corrective actions in a quarterly report to the Board.

Due to the District’s well designed system of internal controls, we performed testing designed to determine whether these procedures were consistently followed. We reviewed 82 claims totaling \$560,008 (12 percent) of the claims paid

Control
procedures
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for the
processing of
claims.

during our audit period. Except for minor discrepancies, which we discussed with District officials, we found that the control procedures were followed for the claims reviewed to ensure they were adequately documented, for appropriate purposes and properly audited and approved before payment.

Conclusion

District officials implemented a well-designed system of internal controls over the claims audit process.

Appendix A: Response From District Officials

HERMON-DEKALB CENTRAL SCHOOL

709 East Dekalb Road

Dekalb Junction, NY 13630

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December 17, 2019

Office of the State Comptroller
Syracuse Regional Office
State Office Building, Room 409
333 E. Washington Street
Syracuse, NY 13202

Dear Sir or Madam:

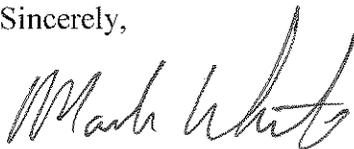
We have received and reviewed your draft audit findings for Hermon-Dekalb Central School for the period July 1, 2018-June 30, 2019.

Your auditor should be commended for her thoughtfulness and professionalism. We are appreciative of the courtesies extended by your auditor to our staff.

We are pleased and reassured by this positive audit that our claims auditing procedures are effective.

Thank you for conducting a thorough review.

Sincerely,



Mark White
Superintendent

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 interviewed District officials and staff to determine the process for the audit, approval and payment of claims.
- We reviewed and evaluated the District's claims audit policies and procedures.
- We obtained representations from Board members and other key District officials that disclosed their outside employment and business interests, and those of their spouses. We compared these disclosures to check disbursement records during our audit period to determine whether the District entered into any financial transactions that could conflict with key decision makers' outside business interests.
- From a population of 1,304 non-payroll checks issued from all funds during our audit period totaling \$4.5 million, we randomly selected a sample of 50 claims totaling \$72,073 and used our professional judgment to select a sample of 32 other claims totaling \$487,935. The non-random sample included high risk payments (i.e. large dollar amounts, payments to employees and officials, payments to vendors related to outside occupations of officials and spouses, if any.) We reviewed these claims to determine whether they were adequately documented, were for appropriate purposes and were properly audited and approved before payment.

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 relevant population size 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/pubs/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.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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