



South Orangetown Central School District Claims Processing

Report of Examination

Period Covered:

July 1, 2014 – January 13, 2016

2016M-104



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the South Orangetown Central School District, entitled Claims Processing. This audit was conducted 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.

This audit's results are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The South Orangetown Central School District (District) is located in the Town of Orangetown in Rockland County. The District is governed by the Board of Education (Board), which is composed of five 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 the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Deputy Superintendent oversees the District's business operations, assisted in these duties by the District Treasurer.

The District operates four schools with approximately 3,170 students and 430 employees. The District's budgeted appropriations for the 2015-16 fiscal year are approximately \$86 million, which are funded primarily with real property taxes and State aid.

During our audit period, the District paid 5,090 claims totaling approximately \$52.8 million from the general, school lunch, special aid and capital funds. 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.

Objective

The objective of our audit was to examine the claims auditing process. Our audit addressed the following related question:

- Did the District ensure that claims were for appropriate purposes, adequately supported, audited and approved prior to payment and in accordance with New York State Education Law (Education Law)?

Scope and Methodology

We examined the District's claims auditing process for the period July 1, 2014 through January 13, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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.

**Comments of
District Officials**

The results of our audit have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our report.

Claims Processing

An effective system for claims processing ensures that every claim against the District contains enough supporting documentation to determine whether the amounts claimed represent actual and necessary expenditures and whether the goods or services being billed for were actually received. Education Law requires the 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. The claims auditor should review detailed receipts to determine whether the claims are properly itemized and supported and whether the District received the goods or services. With specific exceptions, Education Law requires all claims to be audited before payments can be made.

District officials have established effective procedures to ensure claims are adequately documented and supported, are for legitimate District purposes and are approved prior to payment, in accordance with District policy and Education Law. The Board has delegated its claims auditing responsibility to a claims auditor. The Board adopted a claims audit policy that requires the claims auditor to determine if each claim against the District is for a valid purpose, the obligation was incurred by an authorized District official, the items for which payment is claimed were in fact received or services were rendered and the obligation does not exceed the available appropriation. The policy also requires the claims auditor to verify that the claim is mathematically correct, does not include previously paid charges and agrees with the purchase order or contract upon which it is based.

Additionally, District officials have developed a checklist that the claims auditor completes with each warrant to verify that all the procedures listed in the District's policy were followed. The claims auditor is required to provide these completed checklists with the approved warrants to the Board so it can approve these reports each month.

We reviewed 100 claims¹ totaling approximately \$1.2 million paid during our audit period to determine whether these claims contained evidence that the claims auditor audited and approved them before payment. We also determined whether the claims were mathematically accurate, adequately supported and for legitimate District purposes. Except for minor discrepancies, which we discussed with District officials, all the claims we reviewed were audited and approved by the claims auditor prior to payment, were mathematically correct,

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

were supported by adequate documentation and were for legitimate District purposes.

We commend District officials for establishing effective procedures for processing claims against the District. Establishing and adhering to effective claims auditing procedures decreases the risk that errors or irregularities with processing and paying claims may occur and go undetected.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page.

South Orangetown Central School District

160 Van Wyck Road • Blauvelt, NY 10913 • (845) 680-1050 • Fax (845) 680-1900

Robert Pritchard, Ed.D
Superintendent of Schools
rpritchard@socsd.org

May 16, 2016

Ms. Tenneh Blamah
Chief Examiner of Local Government and School Accountability
State of New York Office of the Comptroller
Newburgh Regional Office
33 Airport Center Drive
Suite 102
New Windsor, New York 12553

Dear Ms. Blamah:

The South Orangetown Central School District Board of Education and Administration are in receipt of the Draft State Comptroller's Audit Report, which was prepared after an extensive risk assessment review, examining the District's Claims Processing for the period of July 1, 2014 through January 13, 2016.

We are appreciative of the State's detailed process for review and the team's professionalism as they conducted the audit. We too are in agreement that the Business Office should be commended for establishing effective procedures for processing claims, as well as effective internal controls in all other areas under review in the risk assessment.

We value the work of the State Comptroller's Office in helping us continue to look for ways to strengthen and improve our controls to ensure that the assets of the community are protected.

Sincerely,

Robert Prichard

/md

Via certified mail, return receipt



Tappan Zee High School South Orangetown Middle School
Cottage Lane Elementary School William O. Schaefer Elementary

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We reviewed Board minutes from the 2014-15 and 2015-16 fiscal years to verify that the Board appointed a claims auditor in accordance with statutory requirements.
- We interviewed District officials and the claims auditor and reviewed claims processing documents and District policies to gain an understanding of the District's claims auditing process.
- Using a computerized spreadsheet function, we selected a random test sample of 100 claims. We reviewed supporting documentation for the selected claims to determine whether payments were for goods and services ordered and received, for proper District purposes, audited and approved by the appropriate personnel and sufficiently supported and properly recorded.

We conducted this performance audit in accordance with 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.

APPENDIX C

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