



# South Kortright Central School District

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## Claims Audit

**2023M-69 | October 2023**

# Contents

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- Report Highlights . . . . . 1**
  
- Claims Audit . . . . . 2**
  - How Should a Board Ensure Claims Are Properly Audited?. . . . . 2
  
  - The Board Inappropriately Appointed the Clerk of the Board as Deputy Claims Auditor . . . . . 2
  
  - The Claims Auditor Did Not Verify That the District Used RFPs for Certain Purchases and Service Contracts . . . . . 3
  
  - What Do We Recommend? . . . . . 4
  
- Appendix A – Response From District Officials . . . . . 5**
  
- Appendix B – OSC Comment on the District’s Response. . . . . 6**
  
- Appendix C – Audit Methodology and Standards . . . . . 7**
  
- Appendix D – Resources and Services. . . . . 9**

# Report Highlights

## South Kortright Central School District

### Audit Objective

Determine whether the South Kortright Central School District (District) Board of Education (Board) and District officials ensured that claims were adequately supported and properly audited prior to payment.

### Key Findings

Although the Board and District officials generally ensured claims were adequately supported and properly audited prior to payment, certain purchases of goods and services we reviewed lacked necessary supporting documentation. In addition, we determined that:

- The Board did not comply with New York State Education Law Section 1709 (20-a) when it appointed the Clerk of the Board as the deputy claims auditor.
- The claims auditor and deputy claims auditor, as part of their claims audit process, did not verify that requests for proposals (RFPs) were solicited for seven professional service providers and the insurance provider that were paid a total of \$205,042 during our audit period.
- 18 claims totaling \$20,834 were approved without documentation to verify compliance with the District's procurement policy.

### Key Recommendations

- Ensure the claims auditor and deputy claims auditor meet eligibility for appointment.
- Conduct a thorough and deliberate audit of each claim before authorizing payment.

District officials agreed with our recommendations and have indicated they plan to initiate corrective action. Appendix B includes our comment on an issue raised in the District's response.

### Background

The District serves the Towns of Bovina, Delhi, Harpersfield, Kortright, Meredith and Stamford in Delaware County.

The 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 Business Manager oversees the District's business operations including the senior accounts payable clerk who is responsible for processing claims.

The Board-appointed claims auditor and deputy claims auditor are responsible for ensuring that claims are properly supported and meet procurement policy requirements.

#### Quick Facts

##### Claims Processed During the Audit Period

Number of Claims	3,423
Dollar Amount of Claims	\$5.8 million
Number of Claims Tested	648
Dollar Amount of Claims Tested	\$859,375

### Audit Period

July 1, 2021 – January 31, 2023

# Claims Audit

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## How Should a Board Ensure Claims Are Properly Audited?

Generally, a school district board must audit all 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 the school district's claims. To maintain proper segregation of duties, individuals in certain positions including a board member, a board clerk or treasurer, the superintendent, the person designated as purchasing agent and individuals directly involved in accounting and purchasing functions are prohibited from serving as claims auditor. The appointed claims auditor should report to the board on the results of the claims auditing process so that if a problem arises, it can be addressed within the board's powers and duties and the problem and its eventual resolution can be discussed with the board.

The Board-adopted claims auditor policy details the claims auditor's responsibilities for reviewing claims. Those responsibilities include determining whether claims are for a valid and legal purpose, properly authorized and approved and mathematically correct. A claims auditor is also responsible for verifying that the school district received the goods or services described, the claim had not been paid before and to ensure the purchase will not exceed the available appropriation.

A claims auditor's review of claims should include verification that the purchases of goods and services complies with the school district's policies which outlines the purchasing process for goods and services not required by law to be bid. The District's procurement policy for purchasing goods and services not subject to competitive bidding requires written RFPs, written quotations or verbal quotations, depending on the dollar amounts of the expenditure. Moreover, the Board adopted a professional services policy in June 2021 that requires the issuance of RFPs for services requiring special skill and/or training, such as legal services, medical services, property appraisals and insurance, every five years. Furthermore, Education Law Section 2116-a (3)(b) requires school districts to use an RFP process at least once every five years when contracting for auditing services to perform the school district's annual audits.

## The Board Inappropriately Appointed the Clerk of the Board as Deputy Claims Auditor

The Board did not comply with Education Law Section 1709 (20-a), when appointing the Clerk of the Board<sup>1</sup> as deputy claims auditor.<sup>2</sup> The Clerk of the Board is responsible for documenting Board meeting minutes including the Board

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1 Education Law Section 1709 (20-a) prohibits the clerk of the board from serving as claims auditor (or deputy claims auditor).

2 The Board properly appointed the claims auditor.

approval of warrants (i.e., listing of audited claims). The Clerk of the Board, acting as deputy claims auditor, approved 529 claims totaling \$1.4 million during the audit period when the claims auditor had left the District's employment for a period of time before returning. The Superintendent and former Business Manager told us that the Clerk of the Board was appointed deputy claims auditor because the District is small and they have limited staff available to perform the claims auditor duties. However, when claims are audited by an individual prohibited by statute from serving in such position, the effectiveness of the claims audit process is diminished and there is an increased risk that improper or deficient claims could be paid.

### The Claims Auditor Did Not Verify That the District Used RFPs for Certain Purchases and Service Contracts

We reviewed a sample of 648 claims totaling \$859,375 to determine whether the sample of claims were audited and approved prior to payment, properly authorized and approved, contained adequate supporting documentation, were appropriate District charges, contained evidence that the goods or services were received and whether District officials complied with procurement policy requirements.

All claims reviewed were audited and approved prior to payment, were for appropriate District purposes and were generally supported with proper approvals, evidence that the goods or services were received and had supporting documents, such as receipts, invoices and purchase orders. However, certain purchases of goods and services were not supported with quotes, as required by the District's procurement policy. Furthermore, the claims auditor and Clerk of the Board did not verify that RFPs were used to obtain professional services and insurance, as required by the District's professional services policy. More specifically we determined that:

- The claims auditor and Clerk of the Board did not verify that RFPs were solicited for seven out of 10 professional service contracts and one insurance provider in our sample, resulting in a total of \$205,042 paid during our audit period (Figure 1). The District contracted with five of the service providers for more than 10 years.
- 18 claims for purchases of tires, dishwasher repair, field strip marking and tutoring totaling \$20,834 did not contain written documentation to verify that District officials complied with the District's procurement policy requiring verbal or written quotes. The former Business Manager and Superintendent told us that they solicited quotes, but they did not retain proof of quotes received.

**Figure 1: Professional Services**

Type of Service	Payments
Insurance	\$99,454
Occupational Therapy (Three Providers)	56,277
Audit	28,750
Physical Therapy	15,320
Financial Advisor	2,741
Physician	2,500
<b>Total</b>	<b>\$205,042</b>

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The claims auditor also did not have access to the District's software program which would allow her to properly ensure that sufficient appropriations were available to pay claims she reviewed. If the claims auditor is not provided with sufficient supporting documentation and access to the computer software program, the claims auditor is unable to perform essential functions of their job, which include determining whether claims are in compliance with District policies and whether appropriations are available to pay the claims.

Furthermore, the Superintendent and former Business Manager told us the District did not seek RFPs because they were satisfied with the services of the service providers and that the availability of service providers is limited due to the District's rural location. However, no documentation was provided, such as in the Board meeting minutes, to support these assertions. Moreover, we found no exceptions set forth in the District's procurement or professional services policy to excuse the use of an RFP when awarding contracts to the service providers.

When claims are not supported with adequate supporting documentation, such as written or verbal quotes, the claims auditor may be unable to verify that the appropriate rates for goods and services are charged. Therefore, the Board and District officials have less assurance that goods and services were procured economically and in the best interest of taxpayers.

## **What Do We Recommend?**

The Board and District officials should:

1. Ensure the claims auditor and deputy claims auditor are eligible for appointment.
2. Ensure the claims auditor is provided access to the computer software program to verify the availability of funds.

The claims auditor should:

3. Conduct a thorough and deliberate audit of each claim before authorizing payment to ensure each claim is adequately supported, in compliance with District policies and will not exceed the available appropriation.

# Appendix A: Response From District Officials

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*"Learning for Life"*

Doug Wyant, Jr.  
SUPERINTENDENT

Nathan I. Kanarek  
BUSINESS MANAGER

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## SOUTH KORTRIGHT CENTRAL SCHOOL

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September 7, 2023

Office of the State Comptroller

Local government and School Accountability

110 State Street, 12<sup>th</sup> Floor

Albany, NY 12236

To Whom it May Concern:

The South Kortright Central School District is in receipt of the Draft Report of Examination on Claims Audit for the time period of July 1, 2021 – January 31, 2023, 2023M-69. Our District welcomes feedback and appreciates the opportunity this report could provide.

The District understands the purpose of the examination is to identify areas of operations that may benefit from these types of outside recommendations. As expected, the report does not suggest any findings of operational improprieties, fraud, misappropriation of funds, or malfeasance.

The District has reviewed the Comptroller's findings and recommendations and will take these recommendations under advisement as we develop our corrective action plan. In developing the District corrective action plan, the Board of Education and Administration are mindful of its fiscal responsibility to the District and public. We also understand that the Claims Auditor is carrying out an important duty of the Board.

Sincerely,

Douglas Wyant, Jr.

Superintendent

See Note 1 Page 6
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## Appendix B: OSC Comment on the District's Response

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### Note 1

Per the stated audit objective, our audit focused on the propriety of the support for District claims and their audit prior to payment and is not intended to “suggest any findings of operational improprieties, fraud, misappropriation of funds, or malfeasance” beyond that scope.

## Appendix C: Audit Methodology and Standards

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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, including Board members, claims auditor, deputy claims auditor and other employees, and reviewed policies, regulations, procedures and Board meeting minutes to gain an understanding of the District's process to prepare, approve, audit and pay claims.
- We judgmentally selected all 648 claims totaling \$859,375 from the bank statements for the months of October 2021, November 2022 and January 2023 to select one month for each calendar year. Additionally, we selected all payments made to Board members, superintendents, business managers, the senior account clerk, claims auditor and deputy claims auditor. We judgmentally selected payments made during the audit period to the external auditor and insurance provider to determine whether RFPs were completed for these vendors.
- We reviewed these claims to determine whether the claims were: for an appropriate District purpose, adequately supported, properly authorized and approved, contained evidence that the goods or services were actually received, in compliance with Board adopted policies and audited and approved prior to payment.
- We reviewed signed warrants (i.e., listing of audited claims) during the audit period to determine the total number and dollar amount of claims the deputy claims auditor approved.

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

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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 D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf)

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