



East Greenbush Central School District Claims Processing

Report of Examination

Period Covered:

July 1, 2014 – August 31, 2015

2015M-302



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials	3
CLAIMS PROCESSING	4
APPENDIX A Response From District Officials	6
APPENDIX B Audit Methodology and Standards	8
APPENDIX C How to Obtain Additional Copies of the Report	9
APPENDIX D Local Regional Office Listing	10

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 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 East Greenbush 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 a resource 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 East Greenbush Central School District (District) is located in the Towns of East Greenbush, Nassau, North Greenbush, Sand Lake and Schodack in Rensselaer County and the Town of Chatham in Columbia County. The District operates seven schools and has approximately 4,050 students and 750 full- and part-time employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$88 million, which are funded primarily with real property taxes and State aid.

The District is governed by the Board of Education (Board) which is composed of nine elected members. The Board is responsible for the general management and control of the District's financial and educational affairs, with the Board President acting as chief financial officer. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the District under the Board's direction. The Assistant Superintendent for School Business Finance oversees the District's business operations, assisted in these duties by the District Treasurer.

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:

- Were claims adequately documented, for appropriate purposes and properly audited and approved prior to payment?

Scope and Methodology

We examined the District's claims auditing process for the period July 1, 2014 through August 31, 2015.

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 is 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 size of the relevant population 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 findings.

Claims Processing

New York State Education Law (Education Law) requires the Board to audit all claims before they are paid¹ or to appoint a claims auditor to assume the Board's powers and duties to examine and approve or disapprove claims. An effective claims processing system ensures that every claim against the District is subjected to an independent, thorough and deliberate review and contains adequate supporting documentation to determine whether it complies with statutory requirements and District policies, and that the amounts claimed represent actual and necessary District expenditures. In addition, the claims auditor should determine whether the claims are properly itemized and supported and whether the District actually received the goods or services described on each claim.

District officials have established effective procedures to ensure claims are adequately documented and supported, for legitimate District purposes and approved prior to payment, in accordance with District policy and Education Law. The Board adopted a claims policy which requires the claims auditor to determine that each claim against the District is for a valid District purpose and to determine that the obligation was incurred by an authorized District official, that the items for which payment is claimed were in fact received or services were rendered and that 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 is in agreement with the purchase order or contract upon which it is based. Additionally, the District has developed a checklist that the claims auditor completes with each warrant² to verify all the procedures listed in the claims policy were followed. The claims auditor is required to provide these completed checklists with the approved warrant to the Board on a monthly basis.

We reviewed 100 claims³ totaling \$3,201,201 paid during our audit period to determine whether these claims were supported by adequate documentation such as itemized invoices or accompanying receipts listing the amount and quantity of the goods or services purchased. We

¹ The Board may, by resolution, authorize payment in advance of audit for claims for public utility services (electric, gas, water, sewer and telephone), postage, freight and express charges. However, the claims for such prepayments must be presented at the next regular Board meeting for audit.

² A list of claims

³ The District paid 11,467 claims totaling \$41,915,846 during our audit period from the general, school lunch, special aid and capital funds. See Appendix B for more information on our sampling methodology.

also determined whether the claims were mathematically accurate, for legitimate District purposes and audited and approved by the claims auditor before payments were made. Except for minor discrepancies which we discussed with District officials, all the claims reviewed were supported by adequate documentation, were mathematically correct and for legitimate District purposes and were audited and approved by the claims auditor prior to payment.

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.



East Greenbush Central School District
ADMINISTRATION CENTER
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January 6, 2016

Mr. Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
Glens Falls Regional Office
One Broad Street Plaza
Glens Falls, New York 12801-4396

Dear Mr. Leonard:

The East Greenbush Central School District is in receipt of Draft Report of Examination, 2015M-302, Claims Processing issued by the Office of the State Comptroller for the period July 1, 2014 to August 31, 2015. We have thoroughly reviewed the report and concur with its findings.

On behalf of the District, we extend our appreciation to the audit team for their professionalism, insight and suggestions provided during the examination process.

Sincerely,

Shay Harrison, Ph.D.
Board of Education President

Angela M. Nagle, Ph.D.
Superintendent of Schools

Lawrence A. Edson, Jr.
Assistant Superintendent for School Business Finance

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed Board meeting minutes from the 2014-15 and 2015-16 fiscal years to verify that the Board appointed an appropriate claims auditor.
- 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 to determine whether payments were made only for goods and services ordered and received, were for proper District purposes, were audited and approved by the appropriate personnel and were 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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