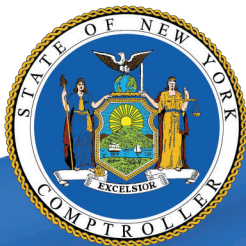


Pine Bush Central School District

Claims Audit Process

OCTOBER 2017



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

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Report Highlights

Pine Bush Central School District

Audit Objective

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

Noteworthy Achievements

District officials have established adequate procedures to ensure that claims are sufficiently documented and supported, are for legitimate District purposes, and are audited and approved before payment.

We reviewed 118 claims totaling \$213,874 to determine whether they were properly supported, audited and approved before payment. We noted minor deficiencies, which we discussed with District officials.

Key Recommendations

There were no recommendations as a result of this audit.

Background

The Pine Bush Central School District (District) is located in the towns of Crawford, Gardiner, Mamakating, Montgomery, Mount Hope, Shawangunk and Wallkill in Orange, Ulster and Sullivan Counties. The seven-member Board of Education (Board) is responsible for managing the District's operations. 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

Enrollment	5,100
2016-17 Budgeted Appropriations	\$112.4 million
Employees (full- and part-time)	800

Audit Period

July 1, 2016 – June 30, 2017

Claims Audit Process

What is an Effective Claims Audit Process?

New York State Education Law (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. 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 received the goods or services described on each claim.

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 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, purchasing requisition, purchase order and documentation of receipt of goods or services).

The accounts payable clerk compiles all claims and supporting documentation and submits them to the claims auditor for review on a weekly basis. The Treasurer creates the warrant (list of claims) from the accounting system. Once the claims auditor has completed the review of claims and compared the consistency of payment information from the claims to the warrant, she signs the warrant and each claim to indicate approval. If the claims auditor identifies any exceptions during the claims review (e.g., incorrect name or address, missing receiving documentation, invoice discrepancies, no purchase order or tax included), she ensures that corrective action is taken to address these exceptions, as needed, before approving the claim for payment. The claims auditor gives the approved warrant to the Treasurer indicating that the claims listed were reviewed and approved for payment.

The Treasurer generates checks for payment, prints check copy images and generates a post-warrant, which is similar to the approved warrant, and also indicates the check number assigned to each claim. The claims auditor compares the consistency of information from both the claims and check to the post-warrant and monitors the continuity of check numbers on a log. These procedures help ensure that all District claims are audited by the claims auditor prior to payment.

We reviewed 118 claims totaling \$213,874 paid during our audit period to determine whether they were supported by adequate documentation and included evidence that the goods or services were received. We also determined whether the claims were mathematically accurate, for legitimate District purposes, in accordance with District policies, and audited and approved by the claims auditor prior to payment. Our testing disclosed minor deficiencies, which we discussed with District officials.

Conclusion

We commend District officials for establishing effective procedures for processing District claims. 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.

Appendix A: Response From District Officials



PINE BUSH CENTRAL SCHOOL DISTRICT

Tim O. Mains, Superintendent of Schools
Donna Geidel, Assistant Superintendent for Instruction
Michael Pacella, Assistant Superintendent for Business

September 29, 2017

Ms. Tennah Blamah
Chief Examiner of Local Government and School Accountability
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Dear Ms. Blamah:

We are in receipt of the most recent audit of Pine Bush Central School District's Internal Claims Process. We are pleased to know that the current practices and procedures for internal claims have been proven effective by the State Comptroller's auditors. In the course of the audit however; minor recommendations by your audit team to improve our procedures have been completed and will be monitored.

You should know and be very proud that the audit team of [REDACTED] conducted their review with the utmost professionalism and sensitivity to a busy business office.

If you should require any additional information, please do not hesitate to contact us.

Sincerely,

Peter Agro
President, Board of Education

Tim O. Mains
Superintendent of Schools

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, we performed the following audit procedures:

- We reviewed Board meeting minutes from the 2016-17 fiscal year to verify that the Board appointed an appropriate claims auditor.
- We interviewed District officials and the claims auditor to determine the procedures for the audit, approval and payment of claims.
- We judgmentally selected two months of warrants (dated September 2, 2016 through September 30, 2016, and April 7, 2017 through April 28, 2017) because of the higher volume of checks printed. We then separated the warrants by fund: general fund and food service program. We randomly selected 50 checks (30 from the general fund and 20 from the food service program) with 118 claims totaling \$213,874. We reviewed the claims to determine whether they were sufficiently supported, contained evidence that the goods or services were received, were mathematically accurate, were for proper purposes, were in compliance with Board-adopted policies, and were audited and approved prior to 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 size of the relevant population and the sample selected for examination.

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 2116-1(3) (c) of New York State Education 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 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. We encourage the Board to make the CAP available for public review in the Clerk's office.

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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