



Westhampton Beach Union Free School District

Claims Processing

Report of Examination

Period Covered:

July 1, 2014 – June 30, 2015

2015M-242



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2015

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 Westhampton Beach Union Free 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 Westhampton Beach Union Free School District (District) is located in the Town of Southampton, Suffolk County. The District is governed by the Board of Education (Board), which is composed of seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive office and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The District operates three schools with approximately 1,800 students and 360 employees. The District's budgeted appropriations for the 2014-15 fiscal year were \$54.7 million, which were funded primarily with real property taxes, tuition and State aid.

The Board created the position of claims auditor in 2002. By creating this position, the Board delegated its authority to audit claims to the claims auditor. The claims auditor reports directly to the Board and is responsible for formally examining and allowing or rejecting, all accounts, charges, claims or demands against the District. The Assistant Superintendent for Business serves as the purchasing agent and is responsible for administering all purchasing activities.

Objective

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

- Did the Board develop an adequate process to ensure that claims were accurate, valid, properly supported and for legitimate District purposes to adequately safeguard District assets?

Scope and Methodology

We examined the District's claims auditing process for the period July 1, 2014 through June 30, 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 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 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 report.

Claims Processing

New York State 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 Board delegated the responsibility to audit District claims to a claims auditor. An effective claims processing system ensures that every claim against the District is subjected to an independent, thorough and deliberate review and ensures that claims contain enough supporting documentation to determine whether each claim complies with statutory requirements and District policies and that the amounts claimed represent actual and necessary District expenditures.

Purchase orders should be issued prior to purchasing goods or receiving services. Using purchase orders helps control District expenditures by ensuring that purchases are properly authorized and preapproved and that adequate funds are available. A confirming purchase order is a purchase order issued after the goods or services have already been ordered or received. District officials must strictly control and limit the use of confirming purchase orders to emergency purchases because such purchases circumvent the approval and price verification features of the normal purchasing process. There is limited assurance that confirming purchases are made at the best price and quality and are for legitimate and authorized District purposes.

District officials have established adequate controls over the claims processing function that ensure claims are audited in a timely manner, properly supported and for legitimate District purposes. The Board has adopted policies detailing the claims processing and the purchasing guidelines. Additionally, there are detailed written procedures outlining these activities. Prior to any purchase of goods or services, the purchasing agent must approve a purchase order. Once a purchase is made, the accounts clerk assembles the claims package, which includes the purchase order, invoice and appropriate supporting documentation, and submits the package to the Treasurer for payment. The Treasurer reviews all claims packages to ensure they are sufficiently supported, adds the claims to the warrant, generates the checks and attaches them to the packages to be audited by the claims auditor. The claims auditor generally conducts a thorough and deliberate audit of each claim before the Board authorizes payment. Upon completing his audit, the claims auditor signs each claim to indicate his approval, signs and dates the warrant that lists all approved claims and then forwards this documentation to the Treasurer for payments to be distributed to the vendors.

During our audit period, the District paid 3,919 general fund claims totaling \$34,408,395. We selected and reviewed 25 claims, totaling \$138,151¹ to determine if purchase orders were issued prior to the ordering of goods and services and if claims, were for legitimate District purposes and audited prior to payment. The claims we tested were audited prior to payment and appeared to be for proper District purposes.² We found one purchase order totaling \$6,398 that was a confirming purchase order which was prepared after the invoice was received from the vendor. However, the purchasing agent issued a “violation of purchasing policy” notice to the department that made the purchase. The notice advised the department that it was in violation of the District’s purchasing policy and required a written explanation for the violation and the protocol that was put in place to prevent the violation from happening in the future. This notice was included in the claims package presented to the claims auditor. We commend the District for taking an active approach in handling the confirming purchase order.

Furthermore, we commend District officials for designing and implementing an effective system of controls over the claims auditing process.

¹ See Appendix B for detailed information on our selection process

² Minor discrepancies were discussed with District officials.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



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Michael R. Radday
Superintendent of Schools

November 20, 2015

Mr. Ira McCracken, Chief Examiner
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Hauppauge, NY 11788-5533

Re: Westhampton Beach Union Free School District
Claims Processing, Report of Examination 2015M-242
July 1, 2014 - June 30, 2015

Dear Mr. McCracken:

The Westhampton Beach Union Free School District acknowledges receipt of the above referenced draft report of the recent audit conducted by your office. We have reviewed the report and concur with its findings.

We appreciate the audit team's broad review of the District's financial operations. The positive feedback we received affirms our efforts to operate with the highest degree of fiscal responsibility, transparency, and accountability to the students and taxpayers we serve. We are pleased that the audit commends the District's effective system of controls over the claims auditing process.

The audit report does not contain any adverse findings or recommendations. Accordingly, no corrective action plan is required with this response.

The District would like to express its appreciation to the Office of the State Comptroller and commend the members of the audit team for the professional and courteous manner in which they undertook their important responsibilities.

Very truly yours,

Michael R. Radday
Superintendent of Schools

Suzanne M. Mensch
Board of Education President

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed the District's policies and procedures over the audit of claims and purchasing.
- We interviewed District personnel and the claims auditor to obtain an understanding of the claims processing and purchasing procedures.
- We judgmentally selected 25 claims, totaling \$138,151, for review out of a total of 3,919 claims from all checks paid from the District's general fund during the period July 1, 2014 through June 30, 2015. We filtered the data to include only check values between \$3,000 and \$20,000. From this filtered list, we selected 25 checks in the following manner: the selected data comprised 292 checks; a number was randomly selected between one and 292 as a starting point; we then counted every fourth check until we had a total of 25 checks.
- We reviewed individual claims to confirm that each claim voucher was certified by the purchasing agent, the purchase was approved before it was executed, the supporting documentation included in the claim packet was sufficient, the voucher was audited by the claims auditor and the expenditure was for a valid District purpose.

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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