



Inlet Common School District Claims Auditing

Report of Examination

Period Covered:

July 1, 2014 – August 31, 2015

2015M-285



Thomas P. DiNapoli

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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 Inlet Common School District, entitled Claims Auditing. 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 Inlet Common School District (District) is located in the Town of Inlet in Hamilton County. The District is governed by the Board of Education (Board) which is composed of three elected members. The Board is responsible for the general management and control of District 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 one school for approximately 20 students from Pre-kindergarten through Grade 6. Additionally, 36 resident students in Grades 7-12 attend the Town of Webb Union Free School District on a tuition basis. The District has five full-time and 10 part-time employees. The District's budgeted appropriations for the 2015-16 fiscal year are approximately \$1.5 million, which are funded primarily with State aid, real property taxes and grants.

Objective

The objective of our audit was to evaluate the effectiveness of the District's claims auditing procedures. Our audit addressed the following related question:

- Are claims adequately documented and properly supported, for legitimate District purposes and approved prior to payment?

Scope and Methodology

We examined the District's claims audit 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 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 Auditing

Education Law requires the Board to audit all claims before they are paid. An effective claims process ensures that every claim against the District is subjected to an independent, thorough and deliberate review. Such a review should also ensure that every claim contains enough 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, it is important for the Board to determine whether the claims are properly itemized and supported and whether the District actually received the goods or services described on each claim.

We commend District officials for establishing an effective policy to ensure claims are adequately documented and properly supported, for legitimate purposes and approved prior to payment by an authorized District official. The policy requires the Board to conduct a thorough audit of each claim and verify that the goods or services on the claim were received, the claim does not exceed the available appropriation, is mathematically correct, does not include previously paid charges and agrees with the purchase order or contract on which it is based.

We reviewed 40 claims¹ totaling \$161,368 paid during our audit period to determine whether these claims were properly authorized and documented with itemized invoices or accompanying receipts listing the amount and quantity of goods or services purchased. We also reviewed these claims to determine if they were for legitimate District purposes and that the Board audited and approved them before payment was made. Except for minor discrepancies, which we discussed with District officials, all the claims reviewed were properly authorized and documented with sufficient supporting itemized invoices or receipts, were for appropriate District purposes and audited and approved by the Board before they were paid. Establishing and adhering to an effective claims auditing policy decreases the risk that fraud, abuse or errors may occur and go undetected.

¹ District officials paid 384 claims totaling \$952,213 during our audit period. See Appendix B for more information on our sampling methodology.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Inlet Common School

*Board of Education
Lori Hansen, Chair
Mary Anne Ryan
Jamie White*



*222 Route 28
Inlet, NY 13360-0207
Phone: 315.357.3305*

*Superintendent/Principal
Christine Holt*

December 21, 2015

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

Dear Mr. Leonard:

The members of the Inlet Common School Board of Education and I are in agreement with the draft findings and recommendations for Inlet Common School District - Claims Auditing - Report of Examination - Period Covered: July 1, 2014 – August 31, 2015 (2015M-285).

We appreciate the opportunity to improve our operations and governance, and we are pleased that the audit found that we have established an effective policy to ensure claims are adequately documented and properly supported, for legitimate purposes, and approved prior to payment by an authorized District official.

The audit report does not contain any recommendations; therefore, no corrective action plan is required.

Sincerely,

Christine Holt
Superintendent

*The mission of Inlet Common School is to build an academic and social foundation in our children that will allow them to reach their full potential.
School Guidelines for Success: **Kindness, Independence, Tolerance, & Self-Respect***

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District staff to gain an understanding of the claims auditing process and reviewed the District's policies and procedures for claims processing.
- We used a random number generator to select 40 claims' check numbers from the abstracts (lists) of claims paid during our audit period. We reviewed these claims to determine if they were properly authorized and documented and if the claims included itemized invoices or accompanying receipts listing the amount and quantity of goods or services purchased. We also reviewed the claims to ensure they were for legitimate District purposes and audited and approved for payment by the Board before payment was made.

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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