



Keene Central School District Claims Processing

Report of Examination

Period Covered:

July 1, 2014 — August 31, 2015

2015M-299



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 Keene 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 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 Keene Central School District (District) is located in the Towns of Keene and Jay in Essex County. The District is governed by the Board of Education (Board), which is composed of five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the District's chief executive officer 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 with 165 students and 45 employees. The District's budgeted appropriations for the 2015-16 fiscal year are approximately \$5.9 million, which are funded primarily with State aid and real property taxes.

Objective

The objective of our audit was to examine the District's claims auditing process. 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 controls over 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 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 and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our findings.

Claims Processing

The Board is responsible for auditing and approving all claims against District funds. The Board may appoint a claims auditor to assume its powers and duties with regard to examining and approving or disapproving claims. An effective claims processing system ensures that every claim against the District is subjected to an independent, thorough and deliberate review to verify that proposed payments are proper and valid District charges. An effective claims process also ensures that claims contain enough supporting documentation to determine if purchases are made in accordance with District policies and represent actual and necessary District expenditures. In addition, it is important for the Board or its appointed claims auditor to determine whether the claims are properly itemized and supported and whether the District has actually received the goods or services described in each claim. Furthermore, signed checks should not be generated prior to the claims being reviewed and approved for payment.

District officials established effective procedures that ensure claims are audited in a timely manner and in accordance with District policy. The Board has delegated the responsibility to audit District claims to a claims auditor. The policy requires the claims auditor to conduct a thorough audit of each claim and verify that the goods or services on each claim were received. The claims auditor must also ensure that each claim is mathematically correct, does not include previously paid charges and agrees with the purchase order or contract on which it is based. The policy also requires that the Treasurer pay valid claims against the District only upon the claims auditor's approval.

We reviewed 110 claims¹ totaling approximately \$226,500 (9 percent of the number of claims paid during the scope period)² to determine if they contained evidence that they were audited by the claims auditor before payment and were mathematically accurate, adequately supported and for a legitimate District purpose. Except for minor issues which we discussed with District officials, we found that the claims were for legitimate District purposes and were properly audited in a timely manner in compliance with District policy.

We commend District officials for establishing and implementing an effective system of controls over claims processing.

¹ See Appendix B for more information on our sample selection.

² The District paid 1,166 claims totaling about \$2.6 million during our audit period.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



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ADMINISTRATION

Daniel J. Mayberry, *Superintendent/HS Principal*

Holly LaBombard-Hull, *K-8 Principal /CSE Chair*

Jatha E. Johnson, *School Counselor*

Brenda L. Le Clair, *District Treasurer*

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December 31, 2015

Jeffrey Leonard
Glens Falls Regional Center
One Broad Street Plaza
Glens Falls, New York 12801

Re: Response of Report of Examination 2015M-299

Dear Mr. Leonard:

The Keene Central School Board of Education and administration 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.

On behalf of the Board of Education and the administration here at Keene Central School, we would like to thank the audit staff involved with our examination for their professional and courteous manner exhibited while here at Keene Central School. We thank them for their effort and the information they provided us during the audit.

Sincerely,

Daniel J. Mayberry,
Superintendent of School

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the District's claims auditing process during the period July 1, 2014 through August 31, 2015. To achieve our audit objective and obtain valid evidence, we performed the following audit procedures:

- We interviewed District staff to gain an understanding of the claims auditing process and reviewed District policies and procedures for claims processing.
- We obtained a check disbursement list and traced the beginning and ending check numbers to the canceled checks. We traced gaps in check numbers to the voided checks to verify our population for sample selection.
- Using a random number generator, we randomly selected 100 claim payments for the period July 1, 2014 through June 30, 2015 and 10 claims paid for the period July 1, 2015 through August 31, 2015. The selection for claims paid was based on check numbers used during these two periods. Our selection of 110 claims paid totaled \$226,507 from a population of 1,166 claims totaling \$2,592,875 (claims tested were approximately 9 percent of total claims paid during the period July 1, 2014 through August 31, 2015). We examined the selected claims to determine if these randomly selected claims contained evidence to determine that they were audited by the claims auditor before payment and were accurate, valid, supported and for legitimate District purposes.

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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