



Rotterdam-Mohonasen Central School District

Claims Processing

Report of Examination

Period Covered:

July 1, 2011 — October 31, 2012

2013M-19



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	2
INTRODUCTION	3
Background	3
Objective	3
Scope and Methodology	3
Comments of District Officials	4
CLAIMS PROCESSING	5
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

March 2013

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 Rotterdam-Mohonasen 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 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.

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Rotterdam-Mohonasen Central School District (District) is located in the Town of Rotterdam, Schenectady County and the Towns of Colonie and Guilderland, Albany County. The District is governed by the Board of Education (Board) which comprises 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 is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

There are four schools in operation within the District, with approximately 2,900 students and 600 employees. Budgeted general fund expenditures for the 2012-13 fiscal year are approximately \$44 million, and are funded primarily with real property taxes and State aid.

The Board designated a claims auditor for the 2011-12 and 2012-13 fiscal years. 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.

Objective

The objective of our audit was to evaluate the District's internal controls over the claims processing function. Our audit addressed the following related question:

- Are claims audited in a timely manner and in accordance with District policy and Education Law?

Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial condition and oversight, control environment, cash receipts and disbursements, purchasing, claims processing, payroll and personal services, and information technology. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in the claims processing area and, therefore, we examined internal controls over claims processing for the period July 1, 2011 to October 31, 2012.

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.

**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.

Claims Processing

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 has 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 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 claims auditor to determine whether the claims are properly itemized and supported and whether the District has actually received the goods and/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 have established adequate controls over the claims processing function that allow claims to be audited in a timely manner and in accordance with District policy and Education Law. District policy states that the Treasurer will not pay any claims until the claims auditor has audited and approved the claim for payment. The policy also requires the claims auditor to examine all claims for the availability of funds for the account code being charged, and for the adequacy of evidence that the goods have been received or the services provided.

We randomly selected 40 claims totaling \$176,364¹ for the period July 1, 2011, to October 31, 2012, and reviewed the claims for proper documentation, authorization, and itemization of the goods or services and accompanying receipts. We also reviewed the 40 claims to ensure they were for a legitimate District purpose and were audited and approved by the claims auditor prior to payment. All claims reviewed were for a legitimate District purpose and were properly audited in a timely manner and in compliance with District policy and Education Law.

¹ Refer to Appendix B, Audit Standards and Methodology, for sample selection methodology.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

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Mohonasen Central Schools

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March 13, 2013

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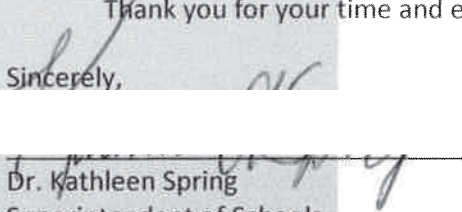
To Whom It May Concern:

This letter is the official response from the Rotterdam-Mohonasen Central School District to the Office of the State Comptroller's Draft Audit Report covering the period of July 1, 2011 to October 31, 2012. We understand that the initial assessment included evaluations of several areas, including: financial condition and oversight, control environment, cash receipts and disbursements, purchasing, claims processing, payroll and personal services and information technology. We also understand that the auditors found our controls to be adequate in most of these areas. They made a determination to do a more in-depth audit into claims processing. We have had the opportunity to meet with the auditors to review the results of their work.

The audit of our claims processing procedures found no concerns. The fact that there were no findings or recommendation means that there is no need for a formal corrective action plan. However, we would like to take this opportunity to say that the audit process was a good experience for the district. We found the auditors to be very knowledgeable and helpful throughout the process. We are also pleased that the audit confirmed what we already believed to be true of our district; that we have put into place quality policies and procedures to ensure that the district is run efficiently and effectively.

Thank you for your time and effort. We look forward to working with you again in the future.

Sincerely,


Dr. Kathleen Spring
Superintendent of Schools

Mr. Dominic Cafarelli
President, Board of Education

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District's assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial condition and oversight, control environment, cash receipts and disbursements, purchasing, payroll and personal services, and information technology.

During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions and reviewed pertinent documents, such as District policies and procedures manuals, Board minutes, and financial records and reports. Further, we reviewed the District's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided on the reported objective and scope by selecting for audit the area most at risk. We selected claims processing for further audit testing.

To accomplish the objective of this audit and obtain valid audit evidence, our procedures included the following:

- We interviewed District staff and reviewed the District's policies and procedures for claims processing.
- We randomly selected 40 checks from a cash disbursement listing for our audit period to select claims for review. To select the checks, we used an electronic spreadsheet function to generate 40 random check numbers that became our sample, with our lower and upper bounds being the first and last check written during our scope period.
- For the 40 randomly selected checks, we reviewed the associated claims for proper documentation, authorization, itemization of the goods or services, and accompanying receipts. We also reviewed the claims to ensure they were for a legitimate District purpose, and audited and approved for payment by the claims auditor.

We conducted this performance audit in accordance with generally accepted government auditing standards (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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX C

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