



Bridgehampton Union Free School District

Claims Auditing

Report of Examination

Period Covered:

July 1, 2015 – February 28, 2017

2017M- 179



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2017

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 Bridgehampton Union Free 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 Bridgehampton Union Free School District (District) is located in the Town of Southampton in Suffolk County. The District is governed by the Board of Education (Board), which is composed of seven elected members. The Board is responsible for overseeing the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer and 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 approximately 192 students and 90 employees. The 2016-17 appropriations were \$13.8 million funded primarily with State aid, real property taxes and grants.

Objective

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

- Were claims for appropriate purposes, adequately documented, properly audited and approved prior to payment?

Scope and Methodology

We examined the District's claims auditing process for the period July 1, 2015 through February 28, 2017.

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 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 agreed with our report.

Claims Auditing

Education Law requires the Board to audit all claims before they are paid or appoint a claims auditor to assume the Board's powers and duties to examine and approve or disapprove claims. An effective claims audit process ensures that all claims are subjected to an independent, thorough and deliberate review. Such a review should ensure that every claim contains enough supporting documentation to determine whether it complies with statutory requirements and District policies and whether the amounts to be paid represent actual and necessary expenditures. In addition, the claims audit should determine whether the claims are properly itemized and supported and whether the goods or services described on each claim were actually received.

The Board appointed a claims auditor and adopted a policy to provide procedures for auditing claims. According to the policy, the claims auditor must report the claims audit results directly to the Board. The claims auditor is required to examine all claims listed on the warrant to determine whether there is adequate evidence to support the District's expenditures. The policy also requires that valid claims be paid by the Treasurer only upon the claims auditor's approval.

All claims and supporting documentation are compiled by the accounts payable clerk who prints a warrant and the checks, without signatures. The claims auditor reviews the warrant and claims packets. If questions arise, he addresses them with the Assistant Superintendent for Finance or business office staff. When the claims auditor is satisfied, he signs the warrant and the checks are given to the Treasurer for signature and disbursement. The claims auditor presents a monthly report to the Board.

We reviewed 40 claims totaling approximately \$381,000. Aside from minor discrepancies, which we discussed with District officials, we found that claims were for appropriate purposes, adequately documented, properly audited and approved before payment. We commend District officials for establishing effective procedures for processing 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.

¹ See Appendix B for details of our 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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89 Washington Avenue
Albany, NY 12234

and

Office of the State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor
Albany, NY 12236

From: Robert Hauser, CPA, Assistant Superintendent for Finance & Facilities

Date: October 30, 2017

Re: Claims Audit, Report of Examination 2017M-179

We acknowledge receipt of the preliminary draft findings of your recent audit of the Bridgehampton Union Free School District entitled *Claims Auditing, Report of Examination 2017M-179*.

Please accept this letter as our response to your preliminary draft findings of which there were none.

Sincerely,

Robert Hauser, CPA

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed policies and procedures and interviewed District officials and employees to gain an understanding of the District's procedures for auditing claims.
- We randomly selected 50 claims (from 1,152 claims totaling \$13.6 million) totaling more than \$1,000 that were paid during the audit period. We eliminated 10 claims from our sample because they were directly related to payroll. We reviewed the remaining 40 claims to determine whether they were accurate, had all supporting documentation, and were reviewed by the claims auditor.

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.

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