

Crown Point Central School District

Claims Auditing

JUNE 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Crown Point Central School District

Audit Objective

Determine whether claims were supported by adequate documentation, for appropriate purposes and audited and approved before payment.

Key Findings

- Checks were printed and signed before the claims auditor audited and approved the claims.
- Claims totaling \$30,125 for 25 check disbursements made during the audit period were not audited and approved before payment.

Key Recommendations

- Print and sign checks after the claims have been audited and approved.
- Audit and approve claims before payment in accordance with New York State Education Law (Education Law).¹

District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Crown Point Central School District (District) serves the Towns of Crown Point, Moriah and Ticonderoga in Essex County.

The seven-member elected Board of Education (Board) is responsible for the general management and control of District financial and educational affairs. The Superintendent of Schools is the chief executive officer and, along with other administrative staff, is responsible for the District's day-to-day management under the Board's direction.

The Board delegated its claims auditing responsibility to a claims auditor and deputy claims auditor.

Quick Facts

Employees	65
Enrollment	300
2017-18 Appropriations	\$7.8 million

Audit Period

July 1, 2016 – January 31, 2018

¹ Education Law §1724

Claims Auditing

What Are Effective Claims Auditing Procedures?

With limited exceptions,² 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. Effective claims auditing procedures ensure every claim against the district is subjected to an independent, thorough and deliberate review and contains adequate supporting documentation to determine whether it complies with statutory requirements and district policies, and the amounts claimed represent actual and necessary 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 actually received the goods or services described on each claim. Furthermore, checks should be printed and signed only after the claims are audited and approved for payment.

Claims Were Audited After Payments Were Made

On a biweekly basis, the District Treasurer (Treasurer) provided the claims auditor³ with a warrant (i.e., list of claims) and the corresponding claims for audit and approval. Once the claims auditor completed her audit, she signed the warrant to indicate the claims approved for payment.

Although claims were supported by adequate documentation and for appropriate purposes, they were not always audited and approved before payment. The Treasurer printed and signed checks before the claims auditor audited and approved the corresponding claims.

The Treasurer told us that she had to print checks from the financial system in order to print a corresponding warrant and provided the signed checks to the claims auditor for review. However, we found that the financial system is capable of generating a report before the checks are printed, which contains the same information as the warrant that was provided to the claims auditor without the check numbers.

In addition, the Treasurer told us that the District prepared and issued checks for certain claims before the regular biweekly claims audit to meet payment deadlines. Claims for these disbursements were then presented to the claims auditor with other claims during the subsequent biweekly cycle.

² The Board may, by adopting a resolution, authorize payment in advance of audit for claims for public utility services (electric, gas, water, sewer and telephone), postage, freight and express charges. However, the claims for such prepayments must be presented at the next regular Board meeting for audit (Education Law §1724).

³ In October 2017, the Board appointed a deputy claims auditor to perform the claims auditor's duties in her absence.

We reviewed 50 check disbursements totaling \$54,362 for claims paid during the audit period to determine whether the corresponding claims for these disbursements were supported by adequate documentation, for appropriate purposes and audited and approved before payment.⁴ All the claims reviewed were supported by adequate documentation and for appropriate purposes.

However, the claims auditor did not audit and approve claims for five disbursements totaling \$14,020 before payment, as required by Education Law. These five disbursements were for the payment of a hotel room for a conference, reconstruction of the cafeteria solarium and the purchase of sports uniforms and transportation supplies. This occurred because the Treasurer prepared and issued checks for these claims before the biweekly claims audit to meet payment deadlines.

We also reviewed the corresponding claims for an additional 25 check disbursements totaling \$21,658 with checks dated outside the regular biweekly claims audit cycle. All the claims reviewed were supported by adequate documentation and for appropriate purposes. However, the claims auditor did not audit and approve claims for 20 disbursements totaling \$16,105 before payment, as required. These 20 disbursements were for various purposes, such as payments for school supplies, services rendered by individuals and a hotel room for a conference.

When checks are printed and signed before the claims auditor's audit and approval and claims that are ineligible to be paid in advance are paid before the claim auditor's approval, there is an increased risk that improper claims could be paid.

What Do We Recommend?

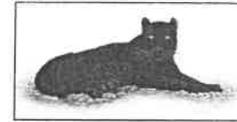
The Treasurer should:

1. Print and sign checks after the claims have been audited and approved by the claims auditor.
2. Ensure no claim, other than those allowed under Education Law, is paid before audit and approval by the claims auditor.

⁴ Because these checks were all printed and signed before the claims auditor audited and approved the related claims, we compared the dates the checks cleared the bank with the dates the claims auditor approved the claims and concluded that if a check cleared the bank before the claim was approved, the claim was paid before the claims auditor's approval.

Appendix A: Response From District Officials

Crown Point Central School
P.O. Box 35, 2758 Main Street
Crown Point, NY 12928
518-597-4200/3285 Fax 518-597-4121



Home of the Panthers

Shari L. Brannock
Superintendent
brannock@cpcsteam.org

Tara Celotti
Principal PreK - 12
tspaulding@cpcsteam.org

Victoria D. Russell
District Treasurer
vrussell@cpcsteam.org

Audit Response Letter Corrective Action Plan

June 1, 2018

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

Re: Crown Point Central School
Claims Auditing
2018M-76

Dear Mr. Leonard:

We are writing in response to our recent Audit Report. Please accept this Audit Response to also serve as our Corrective Action Plan. We had two(2) Key Recommendations. We agree with the Key Audit Findings as reported. We have already changed our procedures of Claims Auditing as recommended. For each recommendation included in the audit report, the following is our corrective action(s) taken.

Audit Recommendation (1):

Print and Sign checks after the claims have been audited and approved.

- **Implementation Plan of Action(s):**

The Claims auditing process has been corrected to include use of the Info-matic software program to print a report prior to cutting checks. The report is being audited by the Claims Auditor and then the checks are prepared. Additionally, the Claims Auditor reviews the bills and the checks a second time prior to issuing checks.

- **Implementation Date:**

The improved Claims Auditing process began on March 23, 2018 when our Auditor made the recommendation verbally and assisted us in the proper procedures to implement.

- **Person Responsible for Implementation:**

The Treasurer, and Deputy Treasurer are responsible for implementation of the issuing checks. The Claims Auditor or Deputy Claims Auditor are responsible for auditing the claims using the new protocols. The Treasurer and Deputy Treasurer will print and sign checks after the claims have been audited and approved by the Claims Auditor.

Audit Recommendation(2):

Audit and approve claims before payment in accordance with New York State Education Law (Education Law).

- **Implementation Plan of Action(s):**

The Board of Education will , by adopting a resolution, authorize payment in advance of audit for claims for public utility services (electric, gas, water, sewer and telephone), postage, freight and express charges. The claims for such prepayments will be presented at the next regular Board meeting for audit.

- **Implementation Date:**

The Board of Education will pass a resolution in compliance with Education Law 1724 at its Reorganizational Meeting on July 12, 2018.

- **Person Responsible for Implementation:**

The Treasurer, and Deputy Treasurer will ensure that no claim, other than those allowed under Education Law, is paid before audit and approval by the claims auditor.

Signed:

Shari L. Brannock 6/1/18
Date
Superintendent of Schools

Signed:

Julie Budwick 6-1-18
Date
Board of Education Vice President

Signed:

Victoria Russell 6-4-18
Date
District Treasurer

Signed:

Brandy Harrington 6-1-18
Date
Deputy Treasurer

Signed:

Margaret Polihronakis 6/1/18
Date
Deputy Claims Auditor

Margaret Polihronakis

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed the policy manual and various financial records and reports to gain an understanding of procedures related to claims auditing and documented any associated effects of deficiencies in those procedures.
- We randomly selected 50 check disbursements for claims paid during the audit period to determine whether the corresponding claims for the disbursements were supported by adequate documentation, for appropriate purposes and audited and approved before payment. We also reviewed the corresponding claims for an additional 25 check disbursements with checks dated outside the regular biweekly claims audit cycle for the same purposes. This sample consisted of accounts payable checks issued throughout the audit period.

We conducted this performance audit in accordance with GAGAS, generally accepted government auditing standards. 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.

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.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3) (c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/localgov/index.htm

Local Government and School Accountability Help Line: (866) 321-8503

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