



Fayetteville-Manlius Central School District Claims Audit Process

Report of Examination

Period Covered:

July 1, 2014 – December 31, 2015

2016M-196



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 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 Fayetteville-Manlius Central School District, entitled Claims Audit Process. 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 Fayetteville-Manlius Central School District (District) is located in the Towns of Manlius, DeWitt and Pompey in Onondaga County and the Towns of Sullivan and Cazenovia in Madison County. The District is governed by the Board of Education (Board), which is composed of nine 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 day-to-day District management under the Board's direction. The Assistant Superintendent for Business oversees the District's business operations, assisted by the District Treasurer.

The District operates six schools and has approximately 4,200 students and 750 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$78.9 million, funded primarily with real property taxes and State aid.

The Board has delegated its claims auditing responsibility to a claims auditor. The claims auditor reports directly to the Board and is responsible for examining and allowing or rejecting all accounts, charges, claims or demands against the District.

Objective

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

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

Scope and Methodology

We examined the District's claims audit process for the period July 1, 2014 through December 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 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 findings.

Claims Audit Process

New York State Education Law (Education Law) requires the Board to audit all claims before they are paid¹ or to appoint a claims auditor to assume the Board's powers and duties to examine and approve or disapprove claims. An effective claims process ensures that every claim against the District is subjected to an independent, thorough and deliberate review to determine whether proposed payments are proper and valid District charges. An effective process also determines whether 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.

District officials have established adequate procedures over the claims processing function to ensure that claims are adequately documented and supported, are for appropriate purposes, and are audited and approved prior to payment. The claims auditor conducts a thorough examination of each claim to determine whether it is for appropriate District purposes, whether the goods or services being billed for were actually received, and whether the claims are adequately documented and supported (i.e., with an itemized invoice, purchasing requisition, purchase order and documentation of receipt of goods or services).

All claims and supporting documentation are compiled by the District's accounts payable clerk and submitted to the claims auditor for review on a weekly basis. The accounts payable clerk also creates the warrant (list of claims) which the claims auditor prints from the accounting system. Once the claims auditor has completed her review of claims and has compared the consistency of payment information from the claims to the warrant, she signs the warrant and each claim to indicate approval. The claims auditor gives this signed (approved) warrant to the Treasurer indicating that the claims listed on the warrant were reviewed and approved for payment. If the claims auditor identifies any exceptions during her claims review (e.g., incorrect name or address, missing receiving documentation, invoice discrepancies, no purchase order or tax included), she ensures that corrective action is taken to address these exceptions, as needed, before approving the claim for payment.

¹ The Board may, by 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 audited by the claims auditor after the payments are made.

The Treasurer generates checks for payment, prints check copy images and generates a post-warrant, which is similar to the approved warrant, and also indicates the check number assigned to each claim. The claims auditor compares the consistency of information from both the claims and check copies to the post-warrant and monitors the continuity of check numbers on a log. These procedures help ensure that all District claims are audited by the claims auditor prior to payment. Lastly, the claims auditor submits monthly reports to the Board indicating the exceptions identified as a result of her claims review.

We reviewed 145 claims² totaling \$363,555 paid during our audit period to determine whether these claims were supported by adequate documentation, such as itemized invoices or accompanying receipts showing the amount and quantity of the goods or services purchased, and included evidence showing that the goods or services were received. We also determined whether the claims were mathematically accurate, for legitimate District purposes, in accordance with District policies, and audited and approved by the claims auditor prior to payment. Our testing disclosed only minor deficiencies, which we discussed with District officials.

We commend District officials for establishing effective procedures for processing claims against the District. 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.

² The District paid 7,289 claims totaling \$37,227,266 during our audit period from the general, school lunch, special aid and capital funds. 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.



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Dr. Craig Tice
Superintendent

June 29, 2016

[REDACTED]
State of New York
Office of the State Comptroller
333 E Washington St # 409
Syracuse, NY 13202

Dear [REDACTED]

The Fayetteville-Manlius Central School District accepts the preliminary draft findings of your office's recent examination of our Claims Audit process. We appreciate the time and effort with which your examination was completed.

Sincerely,

Craig J. Tice, Ph.D.
Superintendent of Schools

Building on Excellence – Preparing Students for the 21st Century

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed Board meeting minutes from the 2014-15 and 2015-16 fiscal years to verify that the Board appointed an appropriate claims auditor.
- We interviewed District officials and the claims auditor to determine the procedures for the audit, approval and payment of claims.
- We selected a random test sample of 100 claims totaling \$152,441, using a computerized spreadsheet function, to determine if the claims were for proper District purposes, were mathematically accurate, were sufficiently supported, contained evidence that the goods or services were actually received, were in compliance with Board-adopted policies, and were audited and approved prior to payment.
- We judgmentally selected an additional sample of 45 claims totaling \$211,114 paid during the audit period and reviewed them for the same concerns as in our other test sample. We selected these claims because they posed a higher risk for inappropriate District expenditures. These claims included payments to Board members or other District officials, large dollar purchases, unrecognized vendors, credit card payments, and purchases from vendors that appeared unrelated to District operations or had abbreviated names.

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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