

Jamesville-Dewitt Central School District

Claims Auditing

DECEMBER 2022



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

Contents

- Report Highlights 1**

- Claims Auditing 2**
 - How Should A School District Board Ensure Claims Are Properly Audited? 2

 - The Claims Auditor Did Not Have Well-Defined Duties or Independence 2

 - Audited Claims Were Not Always Authorized or Supported 4

 - Claims Auditor Reports Did Not Include Claims Exceptions 5

 - What Do We Recommend? 6

- Appendix A– Response From District Officials 7**

- Appendix B – Audit Methodology and Standards 10**

- Appendix C – Resources and Services 12**

Report Highlights

Jamesville-Dewitt Central School District

Audit Objective

Determine whether the Jamesville-Dewitt Central School District (District) claims were adequately supported, for appropriate purposes and approved prior to payment.

Key Findings

We reviewed 88 claims totaling approximately \$5.5 million and found that they were for appropriate District purposes and audited prior to payment. However, the District needs to improve the claims audit process because not all claims were adequately supported and independently reviewed.

- The claims auditor duties were not well defined and, because the claims auditor was also the Information Technology (IT) Coordinator (Coordinator), his audit of claims initiated by him totaling more than \$48,000 for the IT Department was not independent. The Board of Education (Board) appointed a new claims auditor in July 2022 to correct this internal control deficiency.
- Thirteen claims totaling \$20,936 had at least one exception, such as a lack of purchasing agent approval prior to purchase, evidence of competition or compliance with written contractual agreements.
- The claims auditor provided reports to the Board that did not include any exceptions found during the claims audit. Although the claims auditor said the exceptions were resolved before the reports were prepared, the Board should have been aware of the exceptions.

Key Recommendation

- Ensure claims are adequately supported and properly authorized and the results of the claims audit process are reported monthly to the Board.

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

Background

The District serves the Towns of Dewitt, LaFayette, Manlius, Onondaga and Pompey in Onondaga County.

The District is governed by an elected nine-member Board that is responsible for the general management and control of the District's educational and financial affairs.

The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management under the Board's direction. The Business Administrator served as the purchasing agent and the Superintendent was the acting purchasing agent.

The Board has delegated its claims auditing powers and duties to a claims auditor.

Quick Facts

2021-22	
Budgeted Appropriations	\$60 million
2020-21	
Non-Payroll Claims	2,653
Claims Paid	\$13.8 million

Audit Period

July 1, 2020 – June 22, 2022

Claims Auditing

How Should A School District Board Ensure Claims Are Properly Audited?

A school district board must audit claims or establish a claims auditor position to delegate these responsibilities to. When a claims auditor is appointed, the school district board generally no longer audits claims. New York State Education Law Section 1709 (20-a) prohibits individuals with incompatible duties from being claims auditor. As a result, clerical and professional personnel directly involved in the school district's accounting and purchasing functions are prohibited from becoming the claims auditor.

A school district board should establish an effective claims audit process that ensures that every claim against a school district is subjected to an independent, thorough and deliberate review and contains adequate supporting documentation to determine whether it complies with statutory requirements and school district policies, and that the amounts claimed represent proper school district expenditures and are approved prior to payment.

A school district board should establish a written policy which details the claims auditor's duties and explains the responsibilities for reviewing claims. For example, it is important for the claims auditor to determine whether claims are sufficiently itemized, and that adequate documentation is attached including detailed receipts, invoices, approval and receiving documentation. An effective purchase order (PO) process helps control expenditures and helps ensure that purchases are properly authorized, procurement policies have been complied with and adequate funds are available in the budget. The claims auditor should compare the claim with the related PO to determine whether the purchasing agent's approval was obtained prior to the purchase and the amount billed agrees with the PO. In addition, the claims auditor should compare the individual claims reviewed with the warrant (list of approved claims) and accurately report to the school district board total claims approved and any concerns and deficiencies found during the claims audit process.

The Claims Auditor Did Not Have Well-Defined Duties or Independence

The District used a purchase requisition (requisition) and PO process for all purchases, with limited exceptions. This process required District employees to enter requisition requests into the accounting system that were reviewed and approved first by building principals or department heads and then electronically approved by the purchasing agent.

After requisitions were approved, the system automatically generated a PO and the accounts payable clerk (AP clerk)¹ printed three PO copies (original, office, receiving). The AP clerk was responsible for sending the vendor a copy² of the PO to place the order for the requested goods and/or services. Once the goods and/or services and invoice were received, the AP clerk prepared the claims packet (i.e., PO, packing slips, delivery tickets, receipts and invoices) and provided them to the claims auditor for audit. The Treasurer was responsible for generating the warrant of audited claims report (warrant) and disbursing payments for the approved claims after the claims auditor certified the warrant.

The Board adopted the appointment and duties of the claims auditor policy (policy) in August 1995. However, other than the directive to examine all claim forms to determine the availability of funds and adequacy of evidence to support the expenditure, the policy did not include specific procedures that explained the claims auditor's duties.

In addition, the claims auditor was also the District's Coordinator for the IT Department and was involved in initiating purchases and approving invoices for the IT Department. From July 1, 2020 through April 13, 2022, purchases initiated solely by the Coordinator for the IT Department totaled \$48,473. Consequently, he could not provide an independent review and approval of these IT Department's claims. As a result, the effectiveness of the District's system of checks and balances is reduced because the claims auditor may not scrutinize or question claims that he initiated.

The Superintendent and Board President told us the Coordinator was initially appointed as the claims auditor in July 2012. They explained the Coordinator was routinely appointed claims auditor annually thereafter because the Coordinator had experience in the role of claims auditor. In addition, they were unsure why the Coordinator was initially selected for the position because they were not District officials at that time and were unaware of the Coordinator's incompatible duties as claims auditor until we brought it to their attention. However, during fieldwork, they updated the policy, which the Board adopted in May 2022. The new policy includes sufficient explanation of the claims auditor's duties and responsibilities, along with the necessary qualifications to be a claims auditor. Furthermore, the Board appointed a new claims auditor in July 2022 who is not directly involved in the purchasing function and meets the qualifications and eligibility requirements to be a claims auditor.

1 During our audit period, the District had two AP clerks. The former AP clerk is still employed as the District's registrar and the current AP clerk began District employment on July 1, 2021.

2 A copy of the original PO was emailed or faxed to the vendor.

Audited Claims Were Not Always Authorized or Supported

After auditing and approving each claim, the claims auditor provided the claim packets to the AP clerk. The Treasurer then provided the claims auditor with a warrant for approval to disburse claim payments. The claims auditor certified the warrant to authorize the payment of the claims and returned it to the Treasurer, but he did not compare the individual approved claims to the warrant to help ensure only authorized claims were included in the warrant for payment. In addition, the warrants approved by the claims auditor included payroll deduction disbursements. However, payroll deductions should not be reviewed and approved by the claims auditor because these disbursements are approved through other authorization processes, including statutory requirements or contractual agreements.

We reviewed the corresponding claims for 88 disbursements totaling approximately \$5.5 million.³ Although the claims we reviewed had proper receiving documentation, were for proper District purposes and were audited prior to payment, we found 13 claims totaling \$20,936 lacked supporting documentation and authorization for the following reasons:

- Eight claims totaling \$19,472 were missing purchase requisitions and lacked a PO or other documentation that the purchasing agent authorized the purchase prior to the AP clerk placing the order and receiving a vendor invoice. Although these claims included the purchasing agent's approval after the goods and/or services had been received, the District's procurement policy does not allow purchases to be made without first securing the purchasing agent's approval. The former AP clerk could not provide a definite reason why the purchases lacking prior approval occurred.

Some of the goods and services purchased that were missing requisitions and lacked prior purchasing agent approval before the goods and/or services were received were:

- Five claims totaling \$9,599 for maintenance products and services including elevator, machine and radio repairs, and sanitizing supplies. While the Director of Facilities told us that he received verbal approval on various dates for the purchases, the claim packet does not support that the approval was obtained.
- One claim totaling \$5,921 for striping the District's parking lot. The Director of Facilities explained the same vendor has annually striped the parking lot and that the service must be completed when school is not in session and in dry weather, which is not always known in advance.

... [We] found 13 claims totaling \$20,936 lacked supporting documentation and authorization. ...

³ Refer to Appendix B for further information on our sample selection methodology

However, officials could have planned for this service by completing a requisition and using a PO to earmark the funds in advance.

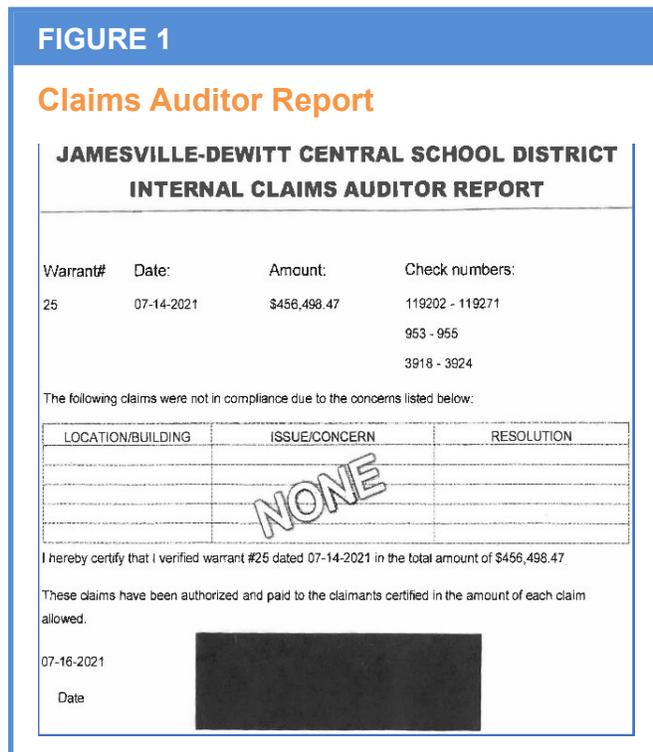
- One landscaping services claim totaling \$1,050 did not comply with the District’s purchasing policies and procedures because the purchasing agent did not solicit competition.
- The claims auditor approved four claims totaling \$414 to reimburse himself for his work mileage. However, unlike other District collective bargaining agreements that included provisions for employee mileage reimbursements, the claims auditor’s contract (for his duties as Coordinator) did not include a mileage reimbursement provision.

When purchases are made without POs, it weakens the purchasing and budget control processes. In addition, when the purchasing agent approves purchases after they have been made, the opportunity for a review of price comparisons as part of the approval process is lost, and the District could pay more than necessary for goods and services. Furthermore, because the Coordinator authorized his own mileage reimbursement claims as the claims auditor, there was an increased risk for inaccuracies or misappropriation of money paid.

Claims Auditor Reports Did Not Include Claims Exceptions

The claims auditor used the warrant information to manually generate a monthly claims auditor report to the Board. This report included the warrant number, date, total warrant amount, check numbers by the disbursing account, issues or concerns with the claims reviewed and any resolutions for the issues, and the claims auditor’s signature and date (Figure 1).

We reviewed all 42 claims auditor reports and found they had the watermark “None” listed under Issue/Concern to indicate the claims auditor found no exceptions or concerns with any claim during the review of claims. Although we found exceptions during our review of a sample of claims, the claims auditor told us that he has never reported findings to the Board because any identified concerns are resolved prior to his approval of the claim. He explained that he would only report what he considered significant



deficiencies to the Board, such as fraud or if an error occurred repeatedly. However, all issues and concerns and their resolutions should be reported to the Board.

What Do We Recommend?

The Board should:

1. Update the Coordinator's contract to include provisions for mileage reimbursement for travel between school buildings, if intended.

The Treasurer should:

2. Generate separate warrants for payroll deduction disbursements.

The claims auditor should:

3. Ensure that claims contain sufficient supporting documentation and are properly authorized, approved and in compliance with District policies before approving them for payment.
4. Compare all approved claims to the warrant to ensure the warrant only includes those claims that have been audited and approved for payment.
5. Include all claim issues, concerns and resolutions in the monthly report to the Board.

Appendix A: Response From District Officials

JAMESVILLE-DEWITT CENTRAL SCHOOL DISTRICT

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EDINGER DRIVE
DEWITT NY 13214-0606

www.jamesvilledewitt.org

Phone: (315) 445-8304
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Appendix A – Response From District Officials

Audit Response dated November 17, 2022

The Jamesville-DeWitt Central School District is in receipt of the draft Claims Auditing Report (2022M-149) which was delivered by Office of the New York State Comptroller personnel. The NYS OSC audit report includes key findings and recommendations on how to mitigate any exceptions that were noted during the audit.

The Jamesville-DeWitt Central School District, after careful review of the draft audit report, is in complete agreement with all of the findings of NYS OSC audit and would like to thank the auditors involved for their diligence and thoughtful consideration during the audit. The district is also in complete agreement with the recommendations that were made by the auditors in order to minimize any future reoccurrence of the exceptions noted during the audit.

Since this audit response is in complete agreement with the audit findings and recommendations, this response will also serve as the **corrective action plan (CAP)**.

The following is the corrective action plan for each recommendation made in the draft audit report:

Audit Recommendation #1: The Board should update the Coordinator’s contract to include provisions for mileage reimbursement for travel between school buildings, if intended.

Implementation Plan of Action(s): The Board of Education will modify the Coordinator’s contract to include provisions for mileage reimbursement between school buildings. In addition, the Board of Education and District administration will review existing policies related to reimbursement for expenses, including mileage reimbursement, for potential changes or additions to existing policies.

Implementation Date: The contract revision will be completed as soon as practical. The policy review will be completed by the end of June 2023.

Person Responsible for Implementation: The Superintendent of Schools and Board of Education.

Audit Recommendation #2: The Treasurer should generate separate warrants for payroll deduction disbursements.

Implementation Plan of Action(s): The Treasurer has already changed the process and is now issuing a separate warrant for payroll deduction disbursements.

Implementation Date: This was completed in July 2022.

Person Responsible for Implementation: The District Treasurer

Audit Recommendation #3: The claims auditor should ensure that claims contain sufficient supporting documentation and are properly authorized, approved and in compliance with District policies before approving them for payment.

Implementation Plan of Action(s): There have been actions already taken in order to ensure that all claims contain sufficient supporting documentation, are properly authorized and approved in compliance with school district policies, prior to approval for payment. A new claims auditor has been appointed. There has also been a change in personnel in the accounts payable position. The new claims auditor has also received training specific to the claims auditing function.

In addition, the new accounts payable position will receive training on the best practices for accounts payable in a school district setting as well as training related to the claims auditing process. The claims auditor will also receive ongoing training related to the claims auditing process. Lastly, the purchasing process will be reviewed in order to ensure that internal controls and best business practices are in place to ensure that all claims have proper documentation, authorization and are in compliance with District policy. One example is to reduce the number of claims without a formal purchase order.

Implementation Date: The appointment of a new claims auditor and accounts payable person has been completed. The initial training of the new claims auditor was also completed in October 2022. Training for the new accounts payable clerk will begin in November 2022 and will continue as necessary. Additional training for the claims auditor will be made available on an annual basis. The purchasing process review will begin in December and will be completed by the end of June 2023, including the implementation of changes to existing purchasing procedures.

Person Responsible for Implementation:
Accounts Payable training – Claims auditor and Treasurer
Claims Auditor training – School Business Administrator
Purchasing Process Review – School Business Administrator

Audit Recommendation #4: The claims auditor should compare all approved claims to the warrant to ensure that the warrant only includes those claims that have been audited and approved for payment.

Implementation Plan of Action(s): In the future, the claims auditor will double check to ensure that the warrant only includes those claims that have been audited and approved for payment and that the total amount that is shown on the warrant matches the total amount of the claims audited and approved for payment.

Implementation Date: This corrective action has already taken place and was implemented in July 2022.

Person Responsible for Implementation: The claims auditor

Audit Recommendation #5: The claims auditor should include all claim issues, concerns and resolutions in the monthly report to the Board.

Implementation Plan of Action(s): The District will implement a report to the Board of Education that includes all claim issues, concerns and resolutions. This report will be issued monthly.

Implementation Date: November 2022

Person Responsible for Implementation: The claims auditor

Signed:



President, Board of Education

11/22/22
Date



Superintendent of Schools

11/22/2022
Date



School Business Administrator

11/22/22
Date

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, including Board members, purchasing agent, claims auditor and other employees, and reviewed policies, regulations, procedures and Board meeting minutes to assess internal controls and gain an understanding of the claims audit process.
- From July 1, 2020 through April 13, 2022, the District paid 4,824 claims totaling \$38.4 million. We examined a random sample of 61 claims over \$1,000 totaling \$5.46 million, which we selected using a computerized spreadsheet function. We reviewed the claims to assess whether they were for proper District purposes, adequately supported and approved, contained evidence that the goods or services were received, followed written contracts and agreements and Board-adopted policies, were approved by the department head or supervisor, invoices did not exceed the approved purchase order and claims were audited and approved by the claims auditor prior to payment.
- We selected an additional sample of 27 claims totaling \$90,453 and reviewed them for the same concerns as in our random test sample. We selected claims that posed a higher risk for inappropriate District expenditures. These claims included payments to Board members, the Superintendent, purchasing agent and their spouses, as applicable; purchases of \$5,000 or more; unrecognized vendor names; and credit card payments. We reviewed purchases for claims initiated by the Coordinator and traced selected claims to the physical assets.
- We compared the total claim amounts and check numbers reported to the Board from the claims auditor report to the approved warrant and followed up on differences identified.

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 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 size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. 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-a (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 next 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. The CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/fiscal-monitoring

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/resources/planning-resources

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

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.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/local-government/required-reporting

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

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