



# Sherman Central School District

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## Claims Audit

2024M-92 | October 2024

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# Report Highlights

## Sherman Central School District

### Audit Objective

Determine whether the Sherman Central School District (District) claims auditor properly audited claims prior to payment.

### Key Findings

The claims auditor does not meet the Board of Education's (Board) minimum qualifications for the position, was not provided the District's policies she needed to confirm claims complied with, was unaware of how to properly perform her job duties and did not properly audit all claims prior to payment. According to a District official, historically the Board appoints one of the District's administrative assistants to the position, regardless of their qualifications.

Of the 303 claims reviewed totaling \$1,345,790, 233 claims (77 percent) totaling approximately \$1,325,105 should not have been approved for payment because the claims lacked support that the purchases complied with Board policies, were properly authorized, approved by the purchasing agent or approved for payment.

- 204 claims totaling more than \$1.3 million were paid that did not have documentation to support that claims complied with Board-adopted policies.
- 170 paid claims totaling more than \$1.2 million were not properly authorized and approved.
- 81 claim packets totaling approximately \$91,000 were not sufficiently itemized.

As a result, improper or unsupported claims may be paid and may not be detected and corrected.

### Recommendations

The audit report includes seven recommendations that, if implemented, will improve the effectiveness of the District's claims audit process.

District officials generally agreed with our findings and recommendations and indicated they will initiate corrective action.

### Audit Period

July 1, 2022 – June 21, 2024

### Background

The District's boundaries include the Towns of Chautauqua, Clymer, French Creek, Mina, North Harmony, Ripley, Sherman and Westfield in Chautauqua County. The five-member Board is responsible for the District's general management and control of financial affairs.

The Superintendent of Schools (Superintendent), who is the chief executive officer responsible for the District's day-to-day management, also serves as the purchasing agent required to approve all purchases.

The Business Administrator (Administrator) is responsible for general oversight of all purchasing activities, while the Board-appointed claims auditor is responsible for examining claims and ensuring that they are properly supported with documentation and meet procurement policy requirements prior to approving them for payment.

#### Quick Facts

July 1, 2022 – April 10, 2024

##### Claims Processed

Dollar Amount \$8.4 million

Number of Claims 2,326

##### Claims Reviewed

Dollar Amount \$1.3 million

Number of Claims 303

# Claims Audit

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## What Is a Proper Claims Audit?

A proper claims audit is a thorough and deliberate examination to determine that a claim is a legal obligation and a proper charge against the school district. A claim packet should contain enough detail and supporting documentation so that the auditing body or official is supplied with sufficient information to make that determination. Generally, a school board must audit all claims against a school district before they are paid or appoint a claims auditor to assume the school board's powers and duties to audit and approve claims. If a school board appoints a claims auditor, that individual must have the skills and training to effectively audit claims, including experience with purchasing, competitive bidding and processing claims.

A claims auditor's responsibilities include determining whether claims are:

- For a valid and legal purpose,
- Properly authorized and approved,
- Mathematically correct,
- Sufficiently itemized,
- Following procurement requirements,
- For goods or services described that the school district received,
- Not already been paid, and
- Sufficiently documented with detailed receipts, invoices and receiving documentation.

A school board and school district officials should provide the claims auditor with sufficient training and written policies and procedures detailing the claims auditor's specific duties and responsibilities for reviewing claims, and the documentation required to be included in a claims packet.

## Claims Were Not Properly Audited Prior to Payment

We reviewed a sample<sup>1</sup> of 303 claims paid during the audit period, totaling \$1,345,790, and determined that 233 claims (77 percent) totaling \$1,325,105 should not have been approved by the claims auditor for payment because the claim packets did not contain sufficient supporting documentation as detailed below:

- 204 claim packets totaling approximately \$1.3 million did not contain evidence such as original quotes or Board-approved rates of pay for services to support that the purchases complied with Board-adopted policies. The policies require:
  - For purchases less than \$20,000, but greater than \$5,000, that three formal written quotes be obtained,

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<sup>1</sup> See Appendix B for more information on our sampling methodology.

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- For purchases less than \$5,000, but greater than \$2,000, that two verbal quotes be obtained, and
  - For purchases less than \$2,000, but more than \$1,000, that two catalog or price sheet comparisons be obtained.
  - 170 claim packets totaling approximately \$1.2 million did not contain evidence (e.g., a signed and approved purchase order or requisition) to support that the purchase was properly authorized, approved by the purchasing agent or that the claim was approved for payment by the claims auditor.
  - 81 claim packets totaling \$91,449 were not sufficiently itemized. For example, multiple invoices only stated the purchased item's name, or they did not include the quantity purchased. Without this level of detail, the claims auditor cannot verify, and District officials cannot ensure that they are being charged properly.
  - 31 claim packets totaling \$62,428 did not contain evidence (e.g., a packing slip or delivery receipt) to support that goods or services purchased were received. We were able to locate packing slips and delivery receipts and held discussions with District officials for these 31 claims to verify that the goods and services were actually received by the District.
  - 25 claim packets totaling \$6,269 did not contain evidence, such as receipts or invoices, to support that the goods or services purchased were for a valid and legal District purpose. We reviewed each of these purchases and obtained additional supporting documentation and determined that the goods and services for all 25 claims were for a valid and legal District purpose.
  - 22 claims totaling \$267,424 were not mathematically correct. This included claim packets where the attached receipts and invoices did not total the sum of the claim packet.

The claims auditor told us that her review of claim packets was solely based on the claim packet's contents, and she did not compare invoice details to contracts or agreements, bids, or quotes for accuracy. She simply verified that the check amount matched the purchase order amount. She also told us that she did not review each claim to ensure that it was sufficiently itemized or that it contained sufficient documentation to support that they complied with Board-adopted policies because she did not know she was supposed to. She explained that she received approximately two weeks of training from the previous claims auditor and simply performed her review as instructed and was unaware that it was inadequate or that she should have sought additional training.

Furthermore, the claims auditor did not have the experience and skills needed to qualify for the position upon appointment, and was not given copies of applicable Board policies, such as the procurement policy, needed to perform a comprehensive review of claims. The Administrator told us that she was aware the claims auditor did not have the experience and skills needed to qualify for the position but that it had been prior District practice to appoint one of the administrative assistants, regardless of qualifications, to fill the position. In addition, neither the Superintendent nor Administrator could tell us why critical policies had not been given to the claims auditor.

One Board member, who responded to our request to discuss the appointment of the claims auditor, told us that they were not aware that the claims auditor did not have the required qualifications

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expressed in the Board-approved claims auditor job description. This Board member also told us that they felt it was the Superintendent's responsibility to ensure candidates for the claims auditor position had the required qualifications. However, the Board is ultimately responsible for ensuring that all candidates for potential appointment meet their expected qualifications and that they provide ample guidance and training opportunities to ensure they can effectively perform their duties.

Because the Board did not ensure that the claims auditor had their desired qualifications prior to appointment, did not provide her with adequate training for the position, and did not ensure that she was provided with applicable District policies, the claims auditor was ill-equipped to perform an adequate audit of claims. As a result, the claims auditor approved incomplete or unsubstantiated claims and was not verifying vendor pricing or ensuring compliance with Board-adopted policies. While we were able to obtain the supporting documentation needed to confirm that all payments within our sample were for an appropriate District purpose, when an inadequate audit of claims is performed, there is an increased risk that improper or unsupported payments could have been made and not been detected or corrected.

## **What Do We Recommend?**

The Board should:

1. Ensure that the appointed claims auditor meets the District's qualification requirements for eligibility for appointment.
2. Ensure claims are properly audited and approved by the claims auditor prior to payment.

The Board and Superintendent should:

3. Ensure that all District policies needed to ensure purchasing compliance are given to the claims auditor.
4. Provide adequate training opportunities to the claims auditor to ensure they are familiar with their roles and expectations and can perform these duties properly.

The claims auditor should:

5. Conduct a thorough and deliberate audit of each claim before authorizing payment to ensure each claim is accurate, properly authorized and approved and is for a valid District purpose and in compliance with District policies.
6. Ensure that claims contain sufficient supporting documentation to demonstrate compliance with District policies and that goods and/or services were received prior to approving them for payment.
7. Review the District's claims auditor job description to understand all claims auditor responsibilities and participate in training opportunities as available.

# Appendix A: Response From District Officials

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## Sherman Central School

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www.shermancsd.org



October 10, 2024

Melissa Myers, Chief of Municipal Audits  
Office of the State Comptroller  
295 Main Street, Suite 1032  
Buffalo, NY 14203-2510

Dear Melissa Myers,

On behalf of the Sherman Central School District, I would like to thank the Office of the State Comptroller for the assistance received during the review of Claims Processing. The District is in agreement with the recommendations provided in this report. The Board of Education and Administration will review the recommendations of the Report of Examination for the period July 1, 2022 - June 21, 2024 and prepare a corrective action plan that will improve our current claims processing of Sherman Central School District.

We appreciate confirmation that even with the areas for improvement “all payments within our sample were for appropriate District purposes.”

We have carefully reviewed the audit report and are committed to implementing each of the seven recommendations to improve the district’s financial practices. Below are our responses, including examples of actions we will take:

1. The Board has reviewed the District claims auditor’s qualification requirements and will ensure that the appointed claims auditor meets the District’s qualification requirements for eligibility for appointment.

The District will conduct a review of the current claims auditor’s qualifications to ensure they meet all required criteria, including educational background, relevant certifications, and experience. For future appointments, a checklist of qualifications will be used during the hiring process to ensure all requirements are met prior to appointment.

2. Moving forward, the Board will implement a clear protocol requiring the business office to verify that no payments are processed unless the claims auditor has approved them. A monthly audit form is being used to track claims that the board reviews each month.

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Mrs. Carrie Yohe • Superintendent  
Mrs. Leslie Melquist • PK-12 Principal  
Mrs. Ann M. Morrison • Director of Pupil Services &  
Data/Grant Coordinator

Board of Education  
Mrs. Teresa Guzman • President  
Ms. Kristin Irwin • Vice President  
Mrs. Brooke Long  
Mrs. Emily Reynolds  
Mr. Timothy Sears

Mrs. Kimberly Oehlbeck • School Business Administrator  
Mr. Luke Waygood • District Clerk



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3. A binder will be prepared that contains all relevant District purchasing policies, including updates and revisions. This binder will be shared with the claims auditor, who will be required to sign off on their review of the policies annually. Additionally, any policy updates will be communicated in writing and discussed during regular check-ins.
4. The District is currently exploring training opportunities for the claims auditor to ensure they are familiar with their roles and expectations and can perform these duties properly. The District will arrange for the claims auditor to attend annual training sessions provided by BOCES or relevant financial oversight organizations.
5. The claims auditor will conduct a thorough and deliberate audit of each claim before authorizing payment to ensure each claim is accurate, properly authorized, and approved, and is for a valid District purpose and in compliance with District policies.
6. The Claims Auditor is now ensuring that claims contain sufficient supporting documentation to demonstrate compliance with District policies and that goods and/or services were received prior to approving them for payment. All claims will now require a full set of supporting documentation, such as purchase orders, delivery receipts, and invoices, to be attached before they are submitted for auditing. If any claim lacks appropriate documentation, it will be returned to the respective department for completion before it is approved for payment. The claims auditor will be responsible for verifying that all goods or services have been received.
7. The Claims Auditor has reviewed the District's claims auditor job description to understand all claims auditor responsibilities. The claims auditor's job description will be reviewed and updated as needed to reflect current expectations and responsibilities. The auditor will then be required to sign a document acknowledging their understanding of their duties. The District will also ensure that the claims auditor participates in periodic professional development sessions related to claims auditing, procurement procedures, and policy compliance.

By implementing these steps and providing ongoing examples of compliance, the District will ensure that we strengthen our financial oversight and adhere to the best practices recommended in the audit report. Thank you for the opportunity to respond to the Report of Examination for the period of July 1, 2022 – June 21, 2024.

Sincerely,

Carrie Yohe  
Superintendent of Schools

Mrs. Carrie Yohe • Superintendent  
Mrs. Leslie Melquist • PK-12 Principal  
Mrs. Ann M. Morrison • Director of Pupil Services &  
Data/Grant Coordinator

Board of Education  
Mrs. Teresa Guzman • President  
Ms. Kristin Irwin • Vice President  
Mrs. Brooke Long  
Mrs. Emily Reynolds  
Mr. Timothy Sears

Mrs. Kimberly Oehlbeck • School Business Administrator  
Mr. Luke Waygood • District Clerk



## Appendix B: Audit Methodology and Standards

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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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials, including Board members, the claims auditor and other employees, and we reviewed policies, regulations, procedures and Board meeting minutes to gain an understanding of the District's process to prepare, approve, audit and pay claims.
- From a population of 2,326 claims totaling approximately \$8.4 million, we used our professional judgment to select a sample of 303 claims totaling approximately \$1.3 million. We selected our sample to include the claims paid during the months of January 2023 and October 2023 which represented the month in each year of the scope period that had the greatest number of transactions occurring. The claims selected were reviewed by the claims auditor during our audit period and included claims from a variety of vendors.
- We reviewed these claims to determine whether the claims were:
  - For an appropriate District purpose,
  - Properly authorized and approved, adequately supported,
  - Mathematically correct,
  - Sufficiently itemized,
  - Had evidence that the goods or services were received, and
  - Had evidence of compliance with Board-adopted policies.

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

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### **Regional Office Directory**

[www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf](http://www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf)

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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

[www.osc.ny.gov/local-government/fiscal-monitoring](http://www.osc.ny.gov/local-government/fiscal-monitoring)

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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

[www.osc.ny.gov/local-government/resources/planning-resources](http://www.osc.ny.gov/local-government/resources/planning-resources)

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

[www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.ny.gov/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.ny.gov/local-government/required-reporting](http://www.osc.ny.gov/local-government/required-reporting)

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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

[www.osc.ny.gov/local-government/academy](http://www.osc.ny.gov/local-government/academy)

## Contact

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