

# Port Jefferson Union Free School District

## Claims Processing

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**AUGUST 2018**

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

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# Report Highlights

## Port Jefferson Union Free School District

### Audit Objective

Determine whether the Board had established and properly implemented an adequate system to audit vouchers prior to payment.

### Noteworthy Achievements

- We reviewed 60 general fund claims totaling \$298,123 and 10 extra-classroom activity claims totaling \$2,705 to determine whether the claims audit process in place had verified they were properly supported, audited and approved before payment. We found the claims audit process was adequately designed and that it had been properly implemented.

Because District officials established and implemented a well-designed system for processing claims, there were no recommendations as a result of this audit.

District officials agreed with our report.

### Background

The Port Jefferson Union Free School District (District) is located in the Village of Port Jefferson, in the Town of Brookhaven, in Suffolk County.

The Board of Education (Board) is responsible for managing the District's financial and educational affairs. The School Superintendent (Superintendent) is responsible, along with other administrative staff, for day-to-day management under the Board's direction.

#### Quick Facts

Employees	250
Enrollment	1,113
2017-18 Budgeted Appropriations	\$42.2 million

### Audit Period

July 1, 2016 – September 30, 2017

# Claims Process

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## What Is an Effective Claims Audit Process?

New York State Education Law requires a 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. An effective claims process ensures that every claim against a 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 that the amounts claimed represent actual and necessary district expenditures. In addition, the claims auditor should determine whether the claims are properly itemized and supported and whether the district received the goods or services described in each claim.

The Commissioner of Education's Regulations (Regulations) define extra-classroom activity funds as "Funds raised other than by taxation or through charges of a board of education for, by or in the name of a school, student body or any subdivision thereof." These funds are operated by and for the students. Funds are usually collected and spent voluntarily by pupils as they see fit, so long as they abide by established Regulations. The Regulations require the board to appoint a central treasurer who is responsible for maintaining records of activity fund receipts and disbursements, as well as making deposits and disbursements. Each extra-classroom activity club must have a student treasurer and faculty advisor. When bills are to be paid, the student activity treasurer should make out a payment order, providing the name of the payee, the amount, the activity to be charged and, if in payment for a purchase, the purchase order number. The central treasurer should draw a pre-numbered voucher check only after auditing the order and invoices and after determining that the club has sufficient funds.

## The District Has an Effective Claims Audit Process

District officials have established procedures to ensure that District 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 was for appropriate District purposes, the goods or services were received, and the claim is adequately documented and supported (i.e., with an itemized invoice, purchasing requisition, purchase order and documentation of receipt of goods or services).

The District's accounts payable clerk compiles all District claims and supporting documentation and submits them to the claims auditor for review on a weekly basis. She also creates the warrant (list of claims), which the claims auditor prints from the accounting system. Once the claims auditor has completed the review of claims and the warrant, the claims auditor signs the warrant and each claim to indicate approval. The claims auditor gives this signed (approved) warrant to the Treasurer, who then initiates positive pay procedures.

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If the claims auditor identifies any exceptions during his claims review (e.g., incorrect name or address, missing receiving documentation, invoice discrepancies, no purchase order or tax included), the claims auditor ensures that corrective action is taken to address these exceptions, as needed, before approving the claim for payment.

District officials have also established adequate procedures to ensure that extra-classroom activity disbursements are adequately documented and supported, and follow Regulations. Each club had a student treasurer and faculty advisor. Payment orders were supported with original invoices and contained signatures of the student president, faculty advisor, treasurer and school principal. After review of the payment order, checks were issued containing the signatures of both the student treasurer and the central treasurer.

Because the District had comprehensive policies and procedures for a thorough review of claims and had adequate segregation of duties in the processing and payment system, we chose a sample to determine whether the system had been implemented and the procedures were being followed as designed. We reviewed 60 general fund claims (approximately 1 percent of all claims paid) totaling \$298,123 and 10 extra-classroom activity payments (approximately 4 percent of the total disbursements) totaling \$2,705 paid during our audit period. We determined whether the claims audit process was properly ensuring that claims were supported by adequate documentation, had required approvals, and included evidence that the goods or services were received. We also determined that the process ensured purchases were made in accordance with the procurement policy requirements for price competition and that claims were mathematically accurate, were for legitimate District purposes, and had been audited and approved by a proper official prior to payment. We found that the claims auditor had audited the vouchers prior to payment and that the system was operating as intended.

We found that District officials had established effective procedures for processing District and extra-classroom activity 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.

# Appendix A: Response From District Officials

**PORT JEFFERSON SCHOOL DISTRICT**  
**OFFICE OF THE SUPERINTENDENT OF SCHOOLS**  
**550 SCRAGGY HILL ROAD**  
**PORT JEFFERSON, NY 11777**  
**PHONE (631)791-4221 FAX (631)476-4467**



Paul Casciano, Ed.D.  
Superintendent of Schools

**BOARD OF EDUCATION**  
**Kathleen Brennan, President**  
**Tracy Zamek, Vice-President**  
Ellen Boehm  
Adam DeWitt  
David Keegan  
Rene Tidwell  
Ryan Walker

July 30, 2018

Mr. Ira McCracken  
Division of Local Government and School Accountability  
Office of the State Comptroller  
Hauppauge Regional Office  
NYS Office Building - Room 3A10  
250 Veterans Memorial Highway  
Hauppauge, NY 11788-5533

Dear Mr. McCracken:

The Port Jefferson School District has received and reviewed the Comptroller's Claims Processing, Report of Examination 2018M-055 and is in agreement with the content of the report.

Both the Port Jefferson School District Board of Education and I would like to thank the New York State Comptroller's office for their thorough and unbiased review of our payment vouchers. We both recognize and appreciate the time and effort that your audit team put forth during the audit process.

The audit report did not list any findings nor were any corrective actions recommended. This is a testament to the policies and procedures in place and followed within our Business Office.

The Port Jefferson School District is committed to provide transparency coupled with continued improvement of its processes in a vigilant effort to strengthen the internal controls that safeguards the districts resources.

The district would like to thank the OSC audit team for their professionalism and detailed work throughout the entire audit. We would also like to thank them for their constructive feedback during the review process.

Sincerely,

Paul Casciano, Ed.D.  
Superintendent of Schools

Kathleen Brennan  
Board of Education President

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

- We interviewed District officials and staff to determine the process for the audit, approval and payment of claims.
- We reviewed and evaluated the District's claims audit policies and procedures.
- We judgmentally selected one general fund claim paid to a casino and randomly selected another 59 general fund claims plus 10 extra-classroom claims (five from high school, three from middle school, and two from elementary school) paid during our audit period. We examined those claims to determine whether controls over the claims audit process were adequate.

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

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://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](http://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](http://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#lmgm](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm)

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

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://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](http://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](http://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](http://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](http://www.osc.state.ny.us/localgov/academy/index.htm)

## Contact

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

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