

Claiming Victory

A claims auditor can be your district's first line of defense against financial errors that can be costly. Another plus: They can be a powerful deterrent to cheaters

During the winter holiday season, you may have the opportunity to attend student performances and witness the accomplishments of your students and teachers. These events often provide community members with an informal opportunity to greet board members. Impromptu meetings usually lead to discussions about district priorities and policies. Questions about the board's intentions regarding funding for the arts are common. But inquiries may be more far-reaching.

Specifically, taxpayers want to know how district money is being spent. Just as importantly, they want to know that it is not being wasted. Of course, it is possible that you have not memorized the exact amounts or percentages allocated to various budget lines. However, you may soothe concerns regarding your purchasing process if your district uses a claims auditor.

What does a claims auditor do?

State regulations typically determine how school districts pay vendors and other entities. Often board members are required to personally examine and approve all claims before payment is processed. In some districts, this requires an enormous time commitment. However, regulations may permit the board to delegate this important responsibility to a knowledgeable,

experienced claims auditor.

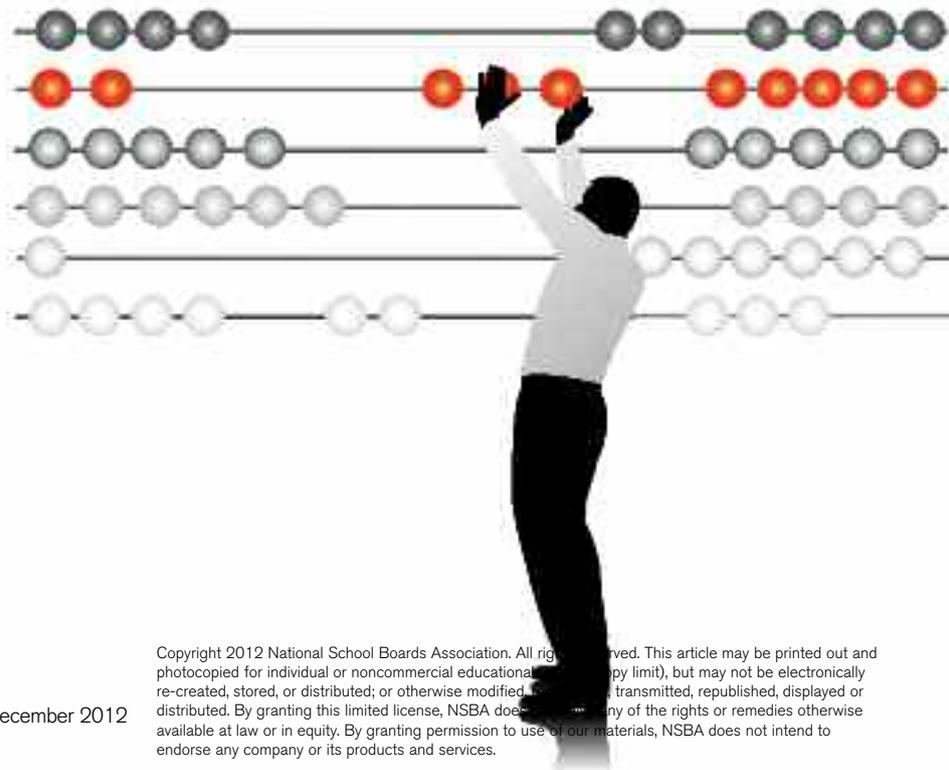
These auditors inspect the documentation required for every district purchase. They verify that charges have not been duplicated or previously paid. In addition, payment request details are checked against each purchase order to verify the number of items, pricing, and mathematical accuracy of the billed amount. The process also ensures that all eligible discounts are applied and taxes excluded, if appropriate.

Claims auditors confirm that an authorized official approved the expendi-

ture and that all requested goods or services have been received. Similarly, payments can be withheld for partial deliveries when the district is billed for a completed order. In addition, the auditor verifies that all claims, charges, and invoices are in compliance with federal, state, and local procedures and requirements. With board authorization, a claims auditor can deny payments if supporting documentation is not compliant.

If an expense is charged to a budget line that does not have an adequate balance, the auditor will send the claim back to the person requesting the expenditure. Then, before the payment can be processed, approval to arrange a budget transfer may be obtained. This important procedure ensures that the budget process complies with the board's approved budget allocation for expenditures.

Necessary qualifications and experi-



Choose an auditor who has the ability to work collaboratively.

ence for claims auditors vary and are often regulated by a state or county office of civil service employment. In some jurisdictions, districts may outsource the claims auditor position to an accounting firm specializing in claims processing and internal audit services. Alternatively, school districts can develop their own job descriptions and requirements.

In order to minimize possible conflicts of interest, the claims auditor position must not be held by a board member, superintendent, business official, purchasing agent, or anyone involved with business office functions. Best practices recommend that the claims auditor report directly to the board or its audit committee. Access to the board minimizes the possibility that an official will override the auditor if a claim is denied. Furthermore, auditors reporting to the business official or superintendent may fear termination if they were to question the validity or appropriateness of an administrator's expense report.

What to look for

It is important that the claims auditor have experience in accounting and auditing procedures. Knowledge regarding specifications of the products and services being purchased is critical. Familiarity with laws regulating school district financial transactions and bidding procedures is essential. In addition, a working knowledge of computer programs such as word processing, databases, and spreadsheets is necessary.

Choose a person who has the ability to work collaboratively with district employees. Because it is sometimes necessary to deny claims, the claims auditor must be steadfast when explaining the reason for denial and the need for compliance with regulations. However, sensitivity to the frustration triggered by a denial is also important. An effective claims auditor must have personal integrity and impeccable moral character, and must exercise good judgment. And because this position is an integral

part of your district's internal controls structure, it is essential to conduct a background check before hiring, even if this is not required by state regulation.

Claims auditor advantages

In many school districts, an accounts payable clerk receives bills, creates checks, and sends payments directly to vendors. Some may argue that a claims auditor only duplicates this process. However, a clerk typically may not know if there is enough money in the pertinent budget line or be able to verify board approval for a payment.

Although accounts payable clerks are trained to make timely payments, they may not be informed regarding state or federal bidding regulations and the potential for conflict of interest. In addition, because they usually report to the business office manager, they are not in a position to question the boss's expense account.

Because a claims auditor has broader knowledge and experience than a clerk, this individual is more thoroughly prepared to evaluate adherence to protocols and regulations. And with direct accountability to the board, the auditor has the authority to make decisions independently. This permits a broader range of effectiveness than an accounts payable clerk can implement.

For example, a claims auditor can be especially effective in reducing expenses and abuse when processing administrative expense accounts or conference expenses. By reviewing travel vouchers, the auditor ensures expenses are properly itemized, including the purpose of travel, dates, and the names of participants, meals, and lodging expenses. Charges not eligible for reimbursement, such as alcohol, dry cleaning, laundry, room mini-bars, or movies, can be identified. In addition, calculations for board-approved mileage

reimbursement rates can be verified by requiring a printout of Internet-based travel directions to document miles traveled.

Furthermore, districts that have negotiated favorable or delayed payment terms with vendors may be able to further improve their cash flow by relying on a claims auditor. For example, if discounts are offered for early payment, an effective auditor can expedite early payment to earn the discount. Similarly, the auditor can deduct unjustified late charges automatically added to vouchers.

A claims auditor also can ensure that all vendors have complied with the yearly filing of conflict-of-interest statements. If permitted, employee addresses can be compared with vendor payment addresses. This simple process can identify shell companies, with undisclosed employee ownership, that are doing business with the district.

First line of defense

Clearly, a claims auditor can be your district's first line of defense against billing errors. In addition, this auditor can be a powerful deterrent to those trying to cheat the district. If the position is structured properly with a comprehensive job description, clear responsibilities and most importantly, a direct reporting line to the board, the position may pay for itself in savings. Districts with limited financial resources might consider sharing the services of a claims auditor with a neighboring district.

Financial pressures continue for school districts across the country. It is imperative that boards use all available tools to ensure that funds are spent wisely. Give the concept of a claims auditor some thought. It may be just what your district needs to stake a claim to a savings bonanza. ■

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