

**Board of Education  
Horseheads Central School District  
One Raider Lane  
Horseheads, NY 14845**



**Purchasing and Accounts Payable  
Internal Audit Report for  
Fiscal Year 2011-2012**  
(July 1, 2011 – May 29, 2012)

**July 2012**



## **Executive Summary**

An internal audit typically includes the testing and evaluation of internal controls and a review of financial policies and procedures of an audit unit, closing with a formal conclusion on the audit objectives. Audit objectives can be modified to cover current events, or the needs, requests, and concerns of the Board. Internal Audit performed an audit including detailed testing of the key internal controls over Purchasing and Accounts Payable. The primary observation resulting from audit testwork is as follows:

- The District should continue to remind staff of the importance of following proper purchasing procedure and waiting for an approved PO before making a purchase.

## **Audit Scope, Objective and Methodology**

### *Scope*

Per New York State Education Law, and the Regulations of the Commissioner of Education, Internal Audit is required to perform annual testing and evaluation of one or more areas of the District's internal controls, taking into account risk, control weaknesses, size, and complexity of operations.

The audit of Purchasing and Accounts Payable at the Horseheads Central School District was conducted during late May 2012, and covered the period of July 1, 2011 through May 29, 2012.

Internal Audit is a department within Tompkins-Seneca-Tioga BOCES and is supervised by the Board of Education for the Horseheads Central School District under a cross-contracted cooperative services agreement. The findings and conclusions in this report are the responsibility of the Board and the Internal Audit Department.

### *Audit Objectives:*

- Purchasing activities are supported by authorized and documented policies and procedures,
- Purchasing appropriately supports the objectives of the District,
- Appropriate goods/services are obtained at the optimum price,
- Purchasing activities are valid, justified, authorized, and within budgets as well as regulatory guidelines,
- Payments are for valid accounts for goods and services actually received, and
- Payments are correct and accurately reflected in the accounting system.

### *Methodology*

The Internal Audit department complies with applicable regulations promulgated by the State Commissioner of Education and the school district's policies and procedures. Per New York Standards Internal Audit is required to audit at least one area of a district's internal controls each year.

Upon completion of the required annual risk assessment update, Internal Audit communicated to the Audit Committee/Board the areas of elevated risk within the District. The Audit Committee/Board requested that Internal Audit perform an audit of Purchasing and Accounts Payable.

## **Audit Procedures**

The Board requested that Internal Audit perform an audit of Purchasing and Accounts Payable. Samples were selected for internal control testing, along with discussions with key staff, and walk-throughs of key processes. Testing during this audit was focused on key controls within the Purchasing and Accounts Payable areas, which could or are likely to have a significant impact on effectiveness and efficiency.

## **Exceptions and Recommendations**

Per New York Education Law, and the Regulations of the Commissioner of Education, Internal Audit is also required to recommend changes for strengthening controls and reducing identified risks, and to specify time frames for implementation of such recommendations.

1. *Confirming Purchase Orders & Quotes* - Internal Audit noted 9 confirming purchase orders out of the sample of 36 purchases orders tested. A confirming purchase order (PO) occurs when the goods or services are purchased prior to obtaining proper approval from the purchasing agent ahead of time via an approved PO. There are a few select situations where a confirming purchase order is appropriate, such as an emergency or a mileage reimbursement. The confirming purchase orders occurred in the general, cafeteria, and special aid funds as follows:

<b>Fund</b>	<b># of Confirming PO's</b>	<b>\$ Value</b>
General	3	\$31,760.45
Cafeteria	2	\$2,153.85
Special Aid	4	\$14,387.30
<i>Totals</i>	9	\$49,730.51

Internal Audit also noted that 3 written quotes were not obtained on an athletic purchase for \$6,997, and 3 verbal quotes on a music purchase of \$4,259 where required by Board Policy/Admin. Reg. 6700/6700R.

*Recommendation* - The District should continue to remind staff of the importance of following proper purchasing procedure and waiting for an approved PO before making a purchase. Staff should also be reminded that it is important to obtain the best pricing possible, by requesting quotes in accordance with the Board Policy/Admin. Reg. 6700/6700R.

**Implementation Timeframe** – September 30, 2012

#### **Conclusion**

Based on the results of audit testwork, Internal Audit believes controls and the related policies and procedures over Purchasing and Accounts Payable are present, but could be enhanced. The aforementioned audit exceptions indicate minor weaknesses in the internal control system surrounding Purchasing and Accounts Payable at the Horseheads Central School District. Implementation of the recommendations, along with strengthening and monitoring the policies and internal controls will further enhance the Purchasing and Accounts Payable process, and help to ensure the audit objectives are accomplished.


#### **Corrective Action Plan**

Per New York State Education Law, and the Regulations of the Commissioner of Education, the District is required to formulate a corrective action plan in response to this audit report. It should individually address each of the exceptions noted above, indicating how the District plans to mitigate the risks identified. The District may elect to adopt the recommendations of Internal Audit as stated, or develop their own plan, as long as the plan adequately addresses the exceptions identified. Internal Audit reserves the right to comment on the adequacy of the District's Corrective Action Plan.



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TO: Board of Education

FROM: Jane Bradley, School Business Executive 

DATE: September 17, 2012

RE: Corrective Action Plan – Purchasing and Accounts Payable Audit

Below is the Corrective Action Plan (CAP) for the July 2012 Purchasing and Accounts Payable Internal Audit Completed by TST BOCES.

**The District agrees with the recommendation and will continue to educate new staff and remind all staff of the BOE Purchasing Policy & Regulation 6700/6700R and the importance of following the District's procedures.**

Thank you.

C: Ralph Marino, Jr. Ed. D., Superintendent  
Linda Klievoneit, District Treasurer  
Jessica Lawrence, Internal Auditor  
Gerald Archibald, External Auditor  
Gene Cvik, CBO Controller  
Bernadette Sramek, CBO Accounting Manager

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**Quality Education for All**

The Mission of the Horseheads Central School Community is to provide a quality education for all within a nurturing environment which promotes excellence, growth, and a sense of civic responsibility.