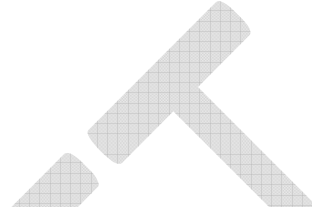


**Board of Education
Elmira Heights Central School District
2083 College Ave.
Elmira Heights, NY 14903**



BOCES 
 **Tompkins Seneca Tioga BOCES**
 **Internal Audit Services**

DRAFT

**Assets and Inventory
Internal Audit Report
Fiscal Year 2010 - 2011**

February 2012

Executive Summary

Internal Audit performed an audit including detailed testing of the internal controls over Assets and Inventory. The results of the audit in summary were as follows:

- The District used confirming purchase orders.
- A \$4,308 purchase was made without 3 formal written quotes.
- Assets were not properly tagged. Asset tag numbers and locations are incorrect in the inventory system.
- The purchasing policy did not reflect the current bid requirements.

The items noted above indicate some of the weaknesses identified by Internal Audit throughout the detailed testing of Assets and Inventory.

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 Assets and Inventory at the Elmira Heights Central School District was conducted during December 2011 and covered the 2010-2011 school year.

The Elmira Heights Central School District has entered into a cooperative services agreement with the Greater Southern Tier BOCES to perform some of the District's financial operations. Therefore, a portion of the audit fieldwork was performed at the Central Business Office (CBO) located in Horseheads, NY.

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

Objective

To determine whether:

- Capital assets represent a complete and valid listing of the capitalized cost of assets purchased, constructed, or leased and physically on hand.
- The District has a depreciation policy that is in accordance with GAAP.
- Fixed asset purchases were made in compliance with laws, regulations, and District policy.
- The District has a process for adequately reporting and tracking fixed assets that includes tagging and physical inspections.
- Disposals are conducted in accordance with laws, regulations, and District policy.

Methodology

Internal Audit complies with applicable regulations promulgated by the State Commissioner of Education and the District's policies and procedures.

Upon completion of the required annual risk assessment update, Internal Audit communicated to the Board the areas of elevated risk within the District. The Board requested that Internal Audit perform an audit of Assets and Inventory. The audit was then performed based on the selection made by the Board.

Exceptions and Recommendations

Observation 1

Confirming Purchase Orders - During testing and inquiry, Internal Audit noted the District used confirming purchase orders. Confirming purchase orders result when purchase orders are prepared after the actual purchase is made. By using confirming purchase orders, the District bypasses the entire purchasing process, and this can lead to over expenditures and/or committing the District to purchases that are not reasonable and necessary. Internal Audit recommends the District communicates to all staff the importance of the purchasing process. Confirming purchase orders should only be used in a "real emergency". The emergency or situation at hand should be clearly documented on the purchase order to support the use of a confirming purchase order.

Observation 2

Quotes - Per District Regulation 5410R.1 – Procurement Guidelines, all purchases between \$4,001 and \$10,000 are required to have 3 formal written quotes. During testing, Internal Audit noted a \$4,308 purchase was made without 3 formal written quotes. Internal Audit recommends reviewing the District's purchasing requirements with all employees. Requisitions and/or purchase orders without required quotes should not be approved. In addition, Internal Audit recommends all supporting documentation required by District policy be attached and maintained with the voucher packet to ensure a documented audit trail.

Observation 3

Asset Inventory Tags - District owned inventory items should have a "Property of Elmira Heights Central School District" inventory tag attached to the asset. 3 of 30 assets sampled did not have inventory tags attached. 11 of 30 assets sampled had incorrect inventory tags attached. 2 of 30 assets sampled could not be located within the District. Internal Audit also noted assets had been moved to different schools within the District, and the inventory system had not been updated to reflect the new location of the asset. Internal Audit recommends inventory tags be attached to District owned assets for proper inventory control. Internal Audit also recommends an inventory be taken in each classroom / department, inventory tag numbers noted, and the inventory system updated with the proper inventory tag numbers and asset locations.

Observation 4

Competitive Bidding - Chapter 56 of the Laws of 2010 amended section 103 of NYS General Municipal Law. The threshold for purchase contracts subject to competitive bidding is now \$20,000. This amount was \$10,000 previously. Chapter 494 of the Laws of 2009 also amended section 103 of NYS General Municipal Law. All public works contracts more than \$35,000 are now subject to competitive bidding. This amount was \$20,000 previously. Internal Audit recommends the purchasing policy be updated to reflect the new competitive bidding thresholds. Internal Audit also recommends the purchasing policy be updated to include new quote dollar amounts to reflect the new competitive bidding thresholds.

Conclusion

Based on the results of audit testing, Internal Audit believes controls and the related policies and procedures over Assets and Inventory are present, but could be enhanced. The aforementioned audit exceptions indicate weaknesses in the internal control system. Implementation of corrective actions should strengthen the process and reduce the risks associated with the weaknesses discovered.

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.