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



**Purchasing and Expenditures
Internal Audit Report
Fiscal Year 2011 - 2012**

December 2012

Executive Summary

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

- The District used confirming purchase orders.
- An \$898 purchase was made without proper quotes.

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

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 Expenditures at the Elmira Heights Central School District was conducted during October 2012 and covered the 2011-2012 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:

- All 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 the prescribed budgets as well as regulatory guidelines.
- All payments are for valid accounts for goods and services actually received.
- All payments are correct and accurately reflected in the accounting system.

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 Internal Audit

perform an audit of Purchasing and Expenditures. The audit was then performed based on the selection made by the Board.

Exceptions and Recommendations

Observation 1

1. **Confirming Purchase Orders** - Internal Audit noted 1 of 30 purchases sampled used confirming purchase orders. Confirming purchase orders result when purchase orders are prepared after the actual purchase is made. Confirming purchase orders bypass the purchase process, and can lead to over expenditures and/or committing the District to purchases that are not reasonable and necessary. 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

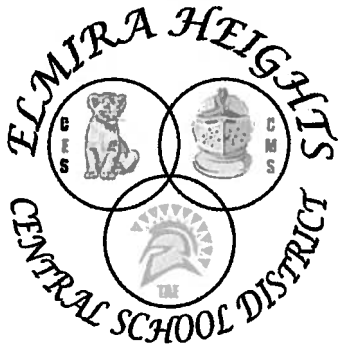
1. **Quotes** - Internal Audit noted 1 of 30 purchases sampled did not have required quotes. Per District purchasing policies and procedures, purchases between \$751 and \$1,500 are required to have 2 verbal quotations, name of vendor, and date of quote. The originator shall indicate on the purchase requisition form the basis for the determination that the suggested vendor be used. Internal Audit noted an \$898 purchase made without proper 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.

Conclusion

Based on the results of audit testing, Internal Audit believes controls and the related policies and procedures over Purchasing and Expenditures 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.



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June 3, 2013

Tompkins Seneca Tioga BOCES
Internal Audit Services
555 Warren Road
Ithaca, New York 14850-1898

Dear Ladies and Gentlemen:

In response to your 2011-12 Purchasing and Expenditures Internal Audit Report presented to the Board of Education, Elmira Heights Central School District on April 22, 2013, we submit the following corrective action plan.

Exceptions and Recommendations:

Observation 1

Confirming Purchase Orders – Internal Audit noted 1 of 30 purchases sampled used confirming purchase orders. Confirming purchase orders result when purchase orders are prepared after the actual purchase is made.

Corrective Action Plan – District personnel are and will continue to be reminded that they must be diligent in using purchase orders before any purchase is made. Documentation must be kept when and if emergencies do occur where it is not possible to obtain a purchase order prior to the purchase. Additionally the District uses blanket purchase orders as much as possible for items needed for emergencies and on short notice such as for maintenance and transportation supplies.

Observation 2

Quotes – Internal Audit noted 1 of 30 purchases sampled did not have required quotes. Per District purchasing policies and procedures, purchases between \$751 and \$1500 are required to have 2 verbal quotations, name of vendor, and date of quote.

Corrective Action Plan – District and Central Business Office personnel will be more diligent in obtaining the appropriate documentation where written or verbal quotes are required prior to issuing purchase orders and that such documentation is included with the purchase order.

District and Central Business Office personnel continue to strive to improve internal controls = follow and document that those controls are being followed and are effective.

Sincerely yours,

A handwritten signature in black ink that reads "Debra L. Palmer". The signature is written in a cursive style with a large, prominent "D" at the beginning.

Debra L. Palmer
Business Manager

Cc: Mary Beth Fiore
Board of Education
Eugene Civik, GST BOCES
NYSED Office of Audit Services