



Schodack Central School District Internal Controls Over Purchasing

Report of Examination

Period Covered:

July 1, 2010 — May 31, 2012

2012M-165



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	2
INTRODUCTION	3
Background	3
Objective	3
Scope and Methodology	3
Comments of District Officials	4
PURCHASING	5
APPENDIX A Response From District Officials	6
APPENDIX B Audit Methodology and Standards	8
APPENDIX C How to Obtain Additional Copies of the Report	10
APPENDIX D Local Regional Office Listing	11

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2012

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Schodack Central School District entitled Internal Controls Over Purchasing. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Schodack Central School District (District) is located in the Town of Schodack and the Village of Castleton-on-Hudson in Rensselaer County, and the Town of Stuyvesant in Columbia County. The District is governed by the Board of Education (Board), which comprises nine elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the chief executive officer of the District and is responsible, along with the other administrative staff, for the day-to-day management of the District under the direction of the Board.

There are currently three buildings in operation within the District, with approximately 1,030 students and 200 employees. The District's budgeted expenditures for the 2011-12 fiscal year were approximately \$20 million, which were funded primarily with real property taxes, State aid, and grants.

The District uses networked software for processing purchase orders. The Board adopted a procurement policy which provides guidance for purchasing goods and services. The Director of Business and Support Services serves as the purchasing agent and is responsible for implementing the District's procurement policy and ensuring that all District purchases are made in accordance with the policy and pertinent laws.

Objective

The objective of our audit was to assess the District's internal controls over purchasing. Our audit addressed the following related question:

- Are internal controls over the purchase of goods and services appropriately designed and operating effectively?

Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: cash management, cash receipts and disbursements, purchasing, claims processing, asset management, payroll and personnel services, and information technology. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in the purchasing area and, therefore, we examined internal controls over purchasing for the period July 1, 2010 to May 31, 2012.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

**Comments of District
Officials**

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our findings.

Purchasing

The Board is responsible for ensuring that a sound internal control structure is in place to safeguard District assets and to ensure that the procurement of goods and services is prudent and economical. The objectives of a procurement process are to obtain services, materials, supplies or equipment of the desired quality, specified quantity, and at the lowest price in compliance with applicable Board and legal requirements to ensure taxpayer dollars are expended in the most efficient manner.

District officials have established comprehensive purchasing policies and procedures that provide guidance as to when items must be competitively bid by law and when quotes should be obtained for purchases not required to be competitively bid. We also determined that the District has an adequate purchase order system in place that ensures purchases are properly initiated, approved, documented, verified as received, and audited prior to payment.

We examined 42 purchases totaling \$714,872 that required purchase orders.¹ We reviewed these purchases to determine whether purchase orders were properly initiated by the submission of a requisition form, purchase orders were approved before the purchases were made, there was adequate verification that the goods and services were received, and the purchases were properly audited by the District's claims auditor before payment. Where applicable, we reviewed purchases to determine whether they were competitively bid or quotes were appropriately obtained. We also examined the selected purchases to determine if they were reasonable and for proper District purposes. Except for minor deficiencies, which we discussed with District officials, we determined that the District's internal controls over purchasing were appropriately designed and operating effectively.

¹ See Appendix B for detailed methodology

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page.

SCHODACK CENTRAL SCHOOL DISTRICT

1216 Maple Hill Road
Castleton, New York 12033-1699
FAX (518) 732-7710

ROBERT M. HORAN
Superintendent
(518) 732-2297

MONICA C. KIM
Director of Business and Support Services
(518) 732-2124

J. ANDREW FLECK, II
President
Board of Education

MICHAEL A. HISER
Vice-President
Board of Education

November 1, 2012

Glens Falls Regional Office
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396

Ladies and Gentlemen:

The Schodack Central School District Board of Education is in receipt of the preliminary draft findings and recommendations of the examination of the Internal Control Over Purchasing Audit which was completed in the Summer of 2012 in our school district by the Office of the Comptroller, Glens Falls Regional Office.

The report stated that except for minor deficiencies, the District's internal control over purchasing were effective during the July 1, 2012-May 31, 2012, the period examined and thereby required no Corrective Action Plan.

On behalf of the Board of Education, Administration and the Business Office, I want to extend my appreciation to the Comptroller's Office and individuals involved in the audit for the professional and positive manner in which it was conducted.

Sincerely,

J. Andrew Fleck
Board of Education, President

Ron Agostinoni, Principal
Maple Hill High School
(518) 732-7701

Michael Bennett, Principal
Maple Hill Middle School
(518) 732-7736

Jason M. Chevrier, Principal
Castleton Elementary School
(518) 732-7755

Donna Watson, Director of
Curriculum, Instruction and Pupil Personnel Services
Castleton Elementary School
(518) 732-2523

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: cash management, cash receipts and disbursements, purchasing, claims processing, asset management, payroll and personnel services, and information technology.

During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions and reviewed pertinent documents, such as District policies and procedures manuals, Board minutes, and financial records and reports. In addition, we obtained information directly from the computerized financial databases and then analyzed it electronically using computer-assisted techniques. This approach provided us with additional information about the District's financial transactions as recorded in its databases. Further, we reviewed the District's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided on the reported objective and scope by selecting for audit an area to verify that controls in place were operating as intended. We selected purchasing for further audit testing.

To accomplish the objective of this audit, our procedures included the following:

- We reviewed the policies, procedures and records pertaining to purchasing.
- We interviewed District personnel and evaluated internal controls and safeguards over purchasing.
- We reviewed and tested 15 randomly selected purchases totaling \$58,899 to determine if purchase orders were initiated by the submission of a requisition form, purchase orders were approved before purchases were made, and purchases being made were for appropriate District purposes. The documentation examined included purchase orders, invoices, contracts, receiving slips, and payment approval documentation.
- We reviewed 10 randomly selected purchases over \$20,000 totaling \$646,507 to verify they were publicly advertised for bids, bids were presented to the Board, bid awards were appropriately made, and that, if the purchase was made under emergency conditions, it was an actual emergency.
- We reviewed 17 judgmentally selected employee reimbursements totaling \$9,466 to determine if they were legitimate and had proper support.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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.

APPENDIX C

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Steven J. Hancox, Deputy Comptroller
Nathaalie N. Carey, Assistant Comptroller

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Robert Meller, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Christopher Ellis, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AND REGIONAL PROJECTS

Ann C. Singer, Chief Examiner
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313