

Genesee Valley Board of Cooperative Educational Services

Purchase Cards

JULY 2022



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Genesee Valley Board of Cooperative Educational Services

Audit Objective

Determine whether the Genesee Valley Board of Cooperative Educational Services (BOCES) purchase card charges were properly approved, adequately supported and for valid purposes.

Key Finding

While the 198 BOCES purchase card charges we reviewed were adequately supported and for valid purposes, only one was properly approved. The purchasing agent:

- Did not approve 197 purchases totaling approximately \$46,000 before goods or services were obtained.

Key Recommendation

- Require the purchasing agent to comply with the purchasing policy and approve all purchases prior to goods and services being ordered or obtained.

BOCES officials agreed with our recommendations and indicated they have initiated or planned to initiate corrective action.

Background

BOCES provides educational and support services to 22 component school districts in Genesee, Livingston, Steuben and Wyoming Counties.

BOCES is governed by an 11-member Board of Education (Board). Members are elected by the boards of the component school districts. The Board is responsible for the general management and oversight of financial and educational affairs.

The District Superintendent is the chief executive officer responsible, along with other administrative staff, for BOCES' day-to-day management.

The Chief Financial Officer (CFO) supervises all business office functions. In addition, the Board appoints a purchasing agent who is responsible for supervising daily purchasing activities and approving all purchases.

2020-21 Quick Facts

Purchase Card Activity for the Audit Period

	Total	Tested
Cards Used	63	22
Purchases	2,369	198
Total	\$535,000	\$46,000

Audit Period

July 1, 2020 – October 31, 2021

Purchase Cards

A purchase card is similar to a credit card and can be used to make electronic payments for a variety of goods and services. However, the account balance must be paid in full each month. Also, unlike a credit card, restrictions known as merchant category codes can be placed on individual purchase cards limiting the type of goods or services each user can obtain.

How Should BOCES Officials Properly Oversee Purchase Cards?

For management to properly oversee purchase card activity, a board should clearly establish and communicate its expectations for their use. This can be accomplished, in part, with the adoption of comprehensive written policies that detail these expectations. These policies should identify individuals authorized to use purchase cards, describe the types of purchases allowed, prohibit personal use, detail the approval process needed prior to using a purchase card, and list documentation that must be maintained to support purchases made. These policies should also clearly convey when purchase cards can be used in lieu of BOCES' regular purchasing process and contain provisions for monitoring use and ensuring compliance with purchasing policies.

BOCES' Board-adopted purchasing policy states that the purchasing agent is the only person who can order goods and services on behalf of BOCES. The policy also states that the purchasing agent can issue purchase orders (POs) without prior Board approval, and that goods or services cannot be ordered without the purchasing agent's prior approval. The Board also adopted a purchase card policy that includes provisions identifying who is authorized to have a purchase card, prohibiting personal use, and describing what supporting documentation must be maintained for each purchase.

Purchases Were Not Properly Approved

We reviewed 198 purchase card charges totaling approximately \$46,000 to determine whether they were properly approved, adequately supported and for a valid purpose.¹ We found that while purchases were adequately supported, and were for a valid BOCES purpose, purchases made using the cards were not properly approved prior to goods and services being ordered or obtained. Only one purchase totaling \$100, for the renewal of the purchasing agent's membership in the New York State Association of Municipal Purchasing Officials (NYSAMPO), was properly authorized prior to the purchase being made.

Typically, to obtain goods or services, a BOCES employee must first obtain their department head's approval. The department head verifies that the necessary funding is available, completes a Request to Purchase (RTP) form, and assigns an appropriation code. The department head then submits a packet containing the RTP and supporting documentation to the purchasing department for review.

Only one purchase ... was properly authorized prior to the purchase being made.

¹ See Appendix B for sampling methodology.

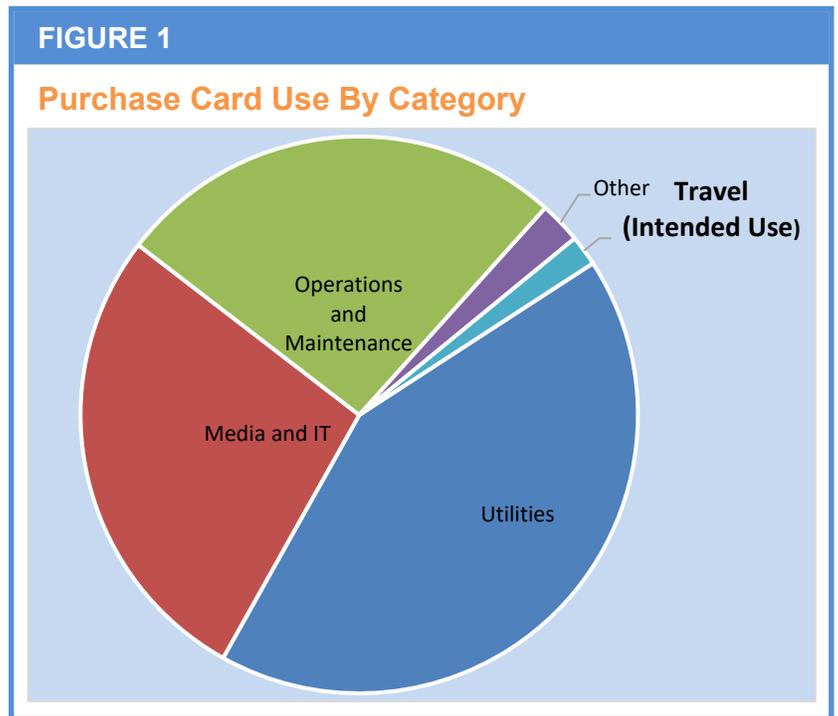
Once reviewed, it is forwarded to the purchasing agent, who approves and signs the RTP and issues a purchase order to the vendor to obtain the goods and/or services.

However, purchase card users do not follow the normal purchasing process. Instead, card holders make purchases as needed and do not obtain prior approval from the purchasing agent before ordering or obtaining goods or services. After card users make their purchases, they wait for the purchasing department to forward them their monthly purchase card statement, and they attach all receipts or invoices to their portion of the statement. Staff then give their department head the statement and attachments for review. The department head assigns a budget code for the purchase and creates, signs and attaches a RTP form. Staff then forward this packet to the purchasing department for review. Once the purchasing agent receives and reviews all departmental packets for the monthly purchase cards transactions, she signs a claim form.

Although the purchasing agent ultimately reviewed the claim forms for all 198 purchases before the purchase card vendor was paid, she was required to review and approve all 198 purchases prior to the goods or services being ordered. However, she only approved one of these purchases.

The current purchase card policy does not define when a purchase card can or should be used instead of BOCES' regular purchase process. In addition, the policy does not establish a specific approval process or procedures for approving purchases made with cards.

According to the purchasing agent, she did not approve purchase card transactions before purchases were made because the CFO felt that the needed approvals were granted when a purchase card was issued to an employee. While, according to the CFO, purchase cards were initially intended for business-related travel expenses, emergency situations and making purchases from vendors who would not accept purchase orders, the purchase cards were not used primarily for these purposes. Figure 1 shows that the majority of purchase card use within our sample was for utilities (42 percent), media and IT expenditures (27 percent), and operation and maintenance



expenditures (26 percent). Only 1 percent of the purchase card transactions align with the intended use of this card.

The CFO told us that using a purchase card is appropriate for situations when it is not efficient to fill out a RTP form and wait for the purchasing agent to approve it, or when BOCES could reduce the number of checks that could be printed each month for the same vendor, such as with monthly utility bills or information technology purchases. However, BOCES already uses a blanket purchase order system that increases the efficiency of multiple purchases from the same vendor without compromising the integrity of the approval process. Even though the CFO indicated that he believes approval is granted when the card is issued to the user, this is not what current Board policy requires. Furthermore, allowing purchase card users to order goods and services prior to obtaining purchasing agent approval increases the risk for unauthorized or improper purchases.

Although we did not find any material discrepancies within the sample of purchases reviewed, when Board policy that is meant to establish a control environment is circumvented, officials are increasing the risk that fraud, waste or abuse could occur and go undetected.

What Do We Recommend?

The Board should:

1. Update its purchasing card policy to clarify when cards can be used instead of the normal purchase order process and/or create a special approval process for purchases made with cards.

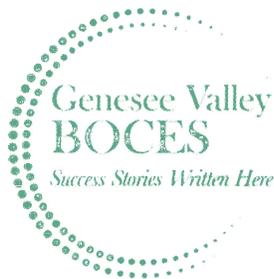
The CFO should:

2. Ensure that the purchasing agent complies with the purchasing policy and approves all purchases prior to goods and services being ordered or obtained.

The purchasing agent should:

3. Review and approve all purchases prior to goods and services being ordered or obtained, regardless of the method used to make the purchase.

Appendix A: Response From BOCES Officials



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June 7, 2022

Melissa A. Myers
Chief Examiner of Local Government and School Accountability
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**Office of the Comptroller
Buffalo Office**

RE: Purchase Card Audit (2022M-27)

Dear Ms. Myers:

The Genesee Valley BOCES is in receipt of the Office of the State Comptroller's draft audit report of the BOCES' use of purchase cards for the period covering July 1, 2021 – October 31, 2021.

The BOCES appreciates the comments and feedback within the report, and agrees a more comprehensive policy is warranted, as the use of purchase cards has expanded. While the report highlights, via a text box, that "only one purchase was properly authorized prior to the purchase being made", the report also recognizes, that the current procedures ultimately resulted in the Comptroller's Office **not finding any material discrepancies** in the 198 purchases that were audited. In fact, the report confirmed that the purchasing agent reviewed all 198 transactions. The BOCES strongly agrees that the use of purchase cards in the procurement of goods and services leads to a more efficient process on the front end of purchasing, and on the back processing of accounts payable.

We have begun to address the findings of this report and are certain that our soon to be adopted policies will serve to re-enforce the current practices and procedures. In addition, our corrective action plan will be written upon the acceptance of the final audit report.

We would like to extend our gratitude to the field auditor involved, [REDACTED] in the comprehensive examination of our financial operations and his professionalism in conducting this audit. We appreciate the feedback and comments that were provided in support of our continuing efforts.

Sincerely,

Kevin M. MacDonald
District Superintendent

Norbert Fuest
Board of Education President

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Board members and BOCES officials who were responsible for purchase card operations and reviewed Board policies and observed purchase card procedures to gain an understanding of BOCES' use of purchase cards.
- We obtained and reviewed all the original purchase card vendor billing statements during our audit period to determine the population of purchase card activity equaling 2,369 charges totaling \$535,000.
- Using our professional judgment, we selected November and December 2020 for review. We reviewed all associated claims packets, invoices and receipts for the 194 purchases totaling \$45,700 to determine whether charges were properly approved, adequately supported and for a valid purpose. We extended this sample for one card holder to include the remaining 14 months to further review an additional four charges totaling \$457.
- We discussed certain purchases with department heads to ascertain the purpose of items purchased.

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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The CAP should be posted to BOCES' website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

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www.osc.state.ny.us/local-government/required-reporting

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