



## **Bedford Central School District**

**Intensive Review of Purchasing and Accounts Payable  
Fulfilling the State Mandate for the Year Ended June 30, 2019**

Cover Letter ..... 1

Overview.....2

Observations and Recommendations ..... 3-9

Best Practice Comparison.....10



**TOBIN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS, PC

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To the Board of Education  
Bedford Central School District  
Bedford, New York

We have performed an intensive review of Purchasing and Accounts Payable as agreed to by the Bedford Central School District (the District) for the year ended June 30, 2019. The purpose of this engagement is to ensure compliance with applicable New York State laws and regulations under the Fiscal Accountability Initiative.

This agreed upon procedure was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose of which this report has been requested or for any other purpose.

We were not engaged to, and did not perform an external audit, the objective of which would be the expression of an opinion on the financial statements of the District. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Tobin & Company*  
*Certified Public Accountants, PC*

Purchase, New York  
May 28, 2019

At the request of the Board of Education of the Bedford Central School District (the District) we performed a Risk Assessment of various District business procedures and activities. Using our Risk Assessment Report, (dated December 27, 2018), the board engaged our firm to perform an intensive review of Purchasing and Accounts Payable.

The following excerpt is from our Risk Assessment Report regarding Purchasing and Accounts Payable:

*Risk Score: 78*

*Purchasing and Accounts Payable are assessed together due to their close relationship. The District follows New York State purchasing regulations. We reviewed the procedures and documentation for purchases of supplies, employee reimbursements, and contract purchases. As with human resources and payroll, this area's rating is affected by its significant dollar value and its susceptibility to fraud.*

Our intensive review of Purchasing and Accounts Payable consisted of the following:

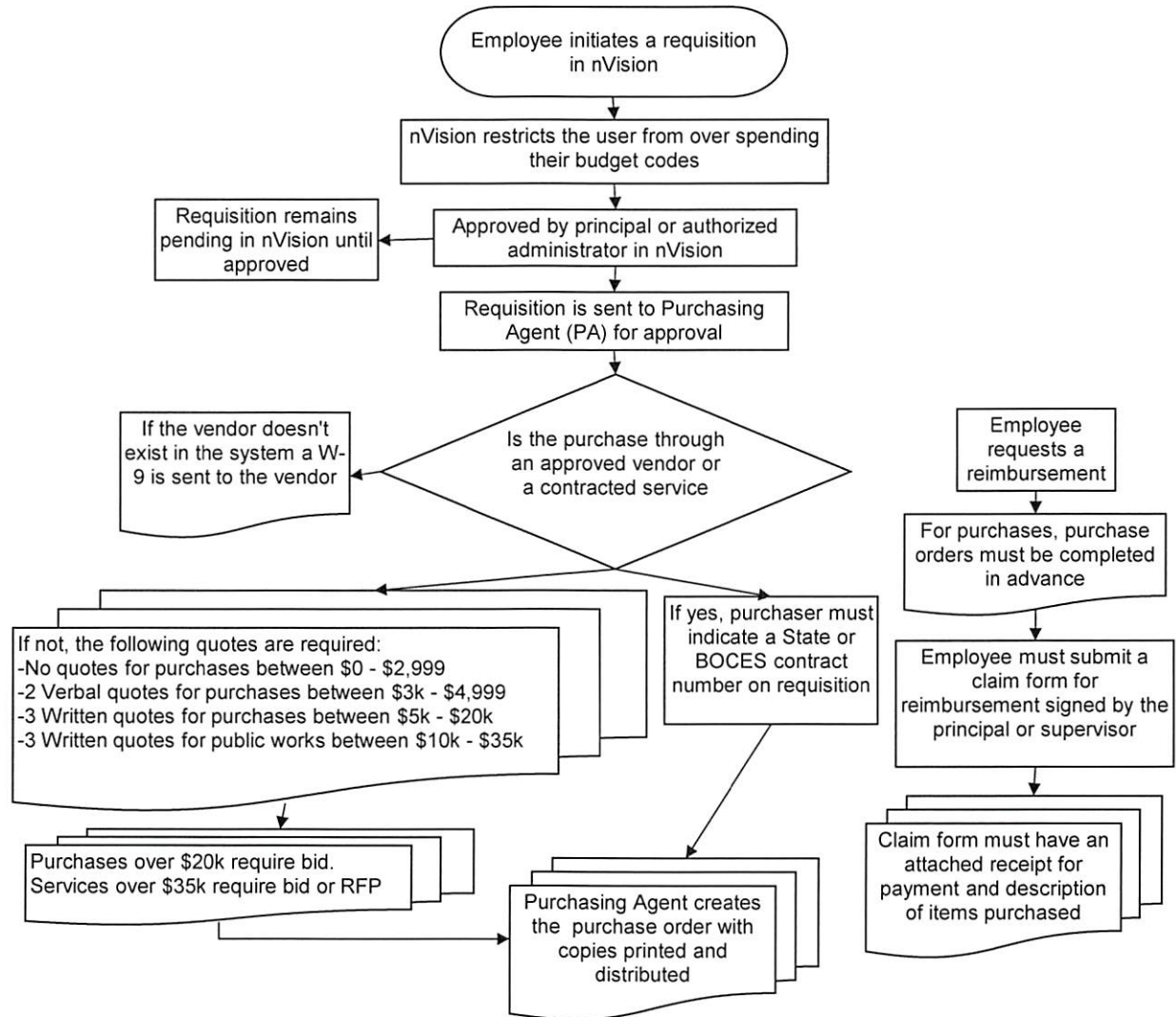
- 1) Detailed interviews of District personnel involved with Purchasing and Accounts Payable.
- 2) Review of the purchasing and accounts payable processes.
- 3) Review of claims auditing process.
- 4) Review of the bidding/RFP process to determine if each process was properly documented.
- 5) Reviewed a sample of warrants to determine if proper review and approval of check sequences was done.
- 6) Reviewed a sample of claim packets paid to determine if proper approvals and documentation were present.

Key personnel interviewed during our process:

Faith Sparks, District Treasurer  
James Reese, Purchasing Agent  
Patricia McKenna, Accounts Payable Clerk  
Patricia Gomez, Bookkeeper  
Christopher Weir, Claims Auditor

**Purchasing**

Requisitions can be entered into the District's accounting system by several nVision users. Once these requisitions are entered, they are subjected to multiple electronic approval levels within the system. Below highlights the District's process of converting a requisition into a Purchase Order:



Existing Internal controls:

- 1) Duties for purchasing, receiving, and accounts payable are well segregated.
- 2) There are several electronic approval levels in nVision from the initial requisition to the final purchase order.
- 3) Purchasing Agent has a personalized signature disk, with password, that grants rights to approve requisitions and create purchase orders.
- 4) Purchase orders are sequentially pre-numbered.
- 5) Many District purchases are made off of existing State and BOCES contracts.
- 6) The Purchasing and Accounts Payable staff is aware of purchasing regulations.
- 7) The District uses Positive Pay, which informs the bank in advance of disbursements that are being authorized by the District.

Claim Packets

We tested 50 claim packets for specific attributes that should be present in these packets based on our interviews as well as best practices. Our review consisted of the following:

- Reviewed all purchase orders to ensure they were properly signed and approved.
- Verified that the purchase order dates precede invoice dates.
- Signed receiving copy was present or blanket purchase orders were approved for payment.
- Ensured invoices, purchase orders and check amount all matched.
- Invoice reflects proper purchase order number.
- Signed receiving copy present, or approved invoice for blankets.
- Proper quotes, bids, or other backup attached or bid/contract number attached.
- All claim packets were signed off by Claims Auditor.

Test Results

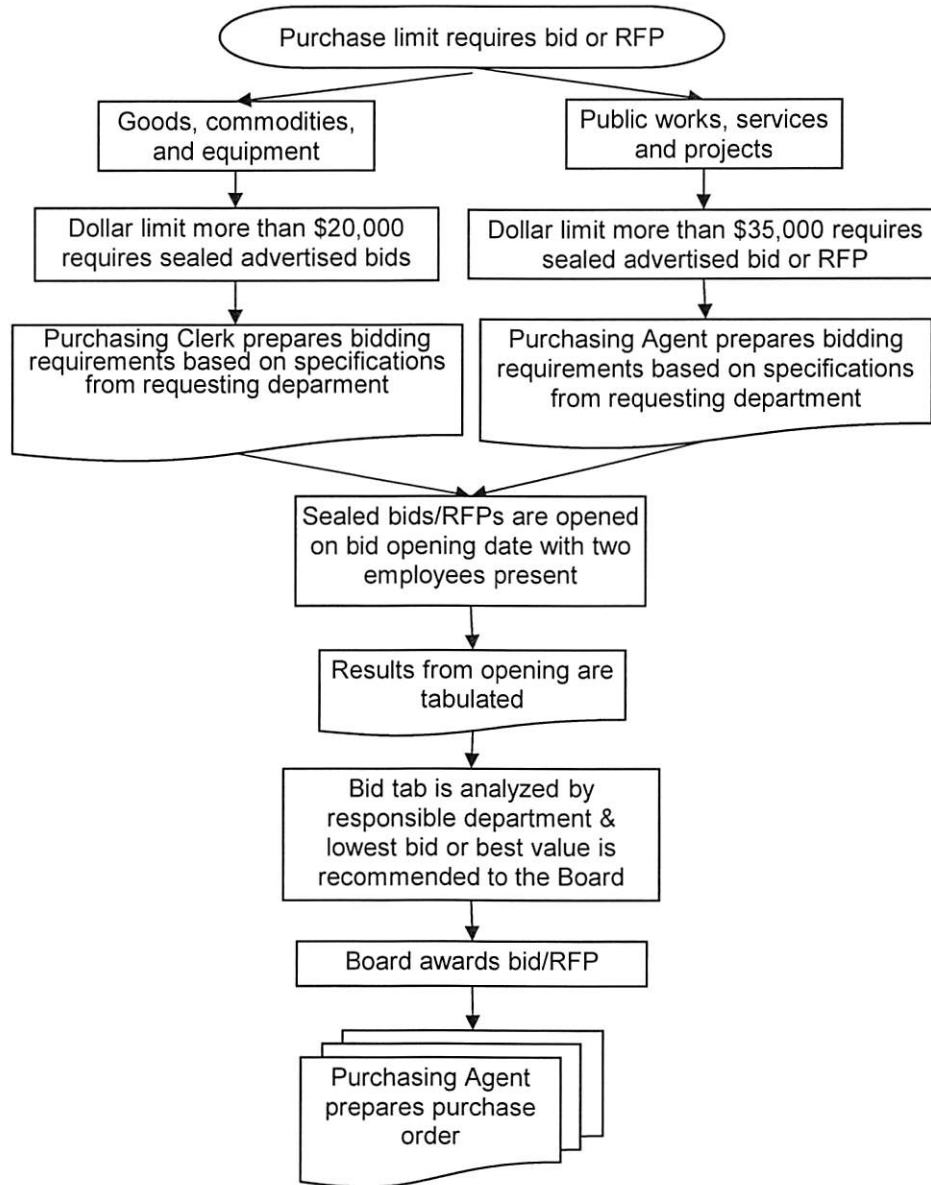
Out of 50 claim packets tested, there were twelve confirming purchase orders noted. These are payments for which the purchase order is dated after the invoice date, which indicates the purchases may not have been approved by the Purchasing Agent before it was made. This is generally acceptable when there are emergency situations, but the District should make every effort to keep confirming purchase orders to a minimum. In addition, there were 5 instances where a direct claim form was submitted for payment instead of a purchase order. In one instance, the direct claim form was issued to cut a check for a claim that was over eight months old. The District pays through direct claim forms in cases of emergencies, scholarships, rate adjustments, and SAT proctors. Although there are certain situations where direct claim forms must be submitted, all district employees should be reminded of the importance of following the purchasing and payable procedures.

Recommendation:

To be certain that the purchase is approved, the District should be sure that purchase orders are approved and generated before any invoice is received. When an invoice date precedes the purchase order date, this creates a confirming purchase order. In addition, the District allows, in some circumstances, direct claim forms to be used in emergencies. These direct claim forms should be frowned upon and limited in use to the greatest extent possible.

**Bidding and Request for Proposal (RFP)**

Overview of Bid and RFP process:



**Existing Controls**

- 1) Bids are not accepted if they are not sealed.
- 2) Bids are opened at the specified time.
- 3) Formal bid tabulations are prepared to summarize opened bids.

**Bids, Quotes and Requests for Proposals**

During our review we randomly sampled twelve vendors for which disbursements exceeded the threshold for which competitive bidding was required. We reviewed contracts to determine if the vendors were on State or BOCES contracts. For vendors who were not on State or BOCES contracts, we reviewed to determine if the contract was awarded based on a properly conducted bidding process. During the review we looked for the following:

- Public advertisement
- Complete bid package
- Insurance certificate
- W-9
- Board of Education award letter
- Awarded to best value or lowest bidder

**Test Results**

Out of the twelve vendors tested, six vendors were contracted through State and/or BOCES contracts, and one was through Ed Data (a purchasing consortium). The District went out to bid for four of the vendors tested. All files were reviewed to ensure they were complete and handled appropriately. No exceptions were noted. For one of the vendors selected, the District disbursed over \$50,000 in architectural fees without properly going out for bid for the professional services needed. The second vendor, (Accucare Nursing Services), also had disbursements exceeding the bid threshold but no bid or RFP were found.

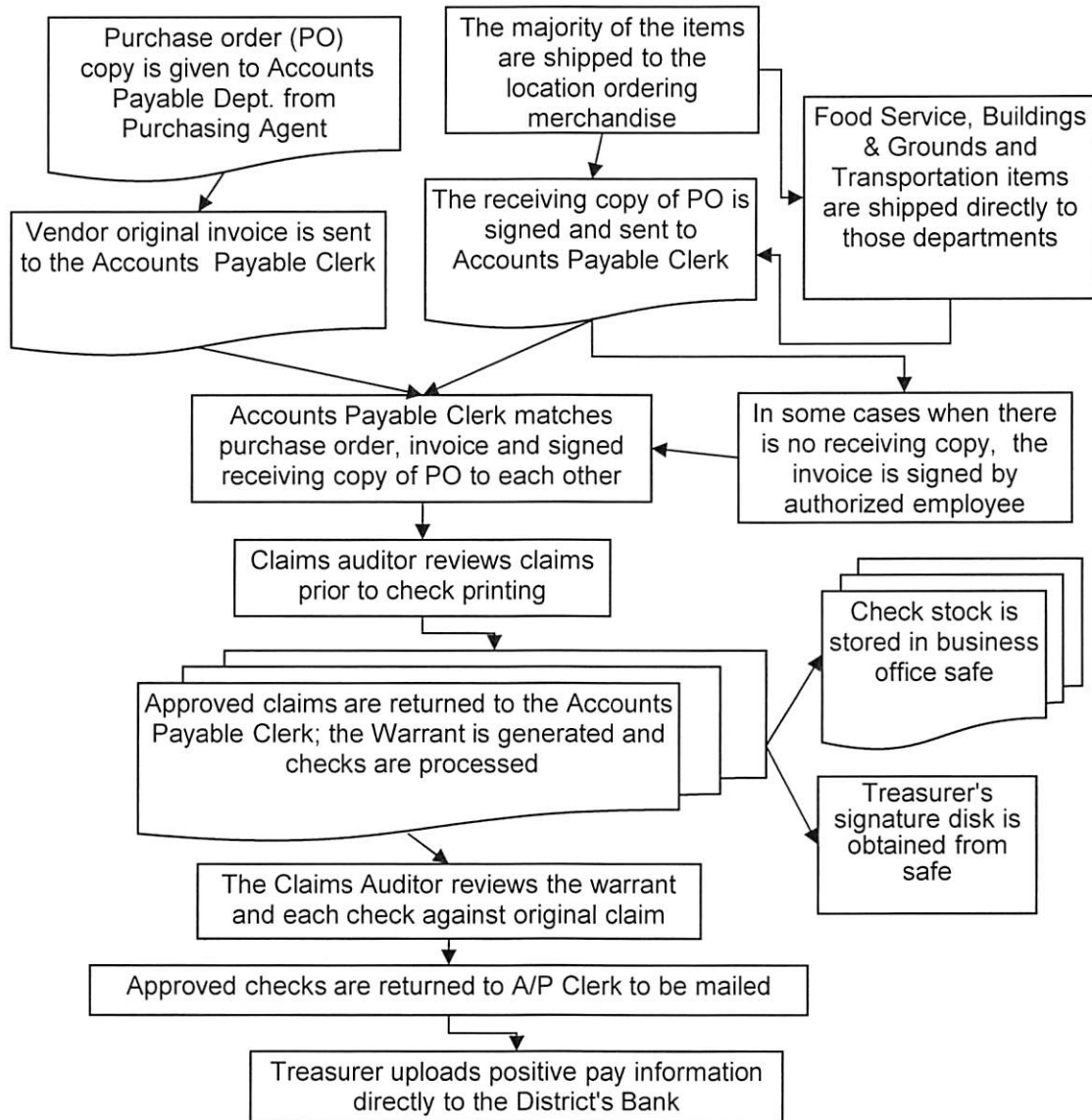
**Observation:** The District did not bid properly for professional services needed.

**Recommendation:** We recommend that the District review New York State Municipal Law and the District's bidding procedures to ensure that these procedures are being followed.



**Accounts Payable Process**

Overview of accounts payable process:



**Warrants**

During our engagement we reviewed all the warrants generated from the general fund for the fiscal year ending June 30, 2019. Over forty warrants were reviewed from the capital, federal and payroll funds. Warrants were reviewed to ensure there were no gaps between warrant sequences and to ensure the Claims Auditor verified the number of checks and dollar amount of warrants. The attributes listed below were tested:

- Warrant number
- Warrant date
- Claims Auditor Signature
- Number of checks verified
- Total dollar amount of warrant
- Amount verified

Observation: During our review of warrants, we noted ten separate instances where the Claims Auditor placed checks on hold for insufficient information.

Recommendation: The District should remind all of its employees about proper purchasing procedures. Checks should not be processed if complete information has not been submitted to the Accounts Payable Clerk or if approval signatures are missing.

Observation: The District does not have a page on its website dedicated to the Purchasing Department.

Recommendation: The purchasing policy on the website needs to be updated and automated. Many neighboring school district's Purchasing Departments have their own dedicated page which notes proper purchasing policy, has PDF's of all pertinent documents, (claim forms, requisition forms, quote forms, etc...), preferred vendor lists, and additional helpful information, with each requisitioning department having direct access. The District may want to consider doing this.

Observation: Purchasing documents are retrieved and filed manually which is tedious and time consuming. In addition, important documents may go missing, further delaying the purchasing process.

Recommendation: The District should create a shared scan drive where important documents (i.e.: quotes, contracts, bid sheets, purchase orders, etc...) are saved. Having pertinent documents electronically saved and scanned into a single database allows for a more efficient means of operations by providing more accessibility to information and improved searchability.

Observation: The District still prints and paper mails copies of purchase orders to vendors and applicable departments.

Recommendation: To improve efficiency of operations, purchase orders should be emailed to vendors and departments. Other districts are now doing this.

### **Vendor Management**

As part of our engagement, we reviewed the procedures pertaining to maintaining the vendor database within nVision, the District's accounting software. The nVision software has a master file that contains a list of vendors from which District employees can purchase goods and services.

A common problem involved with maintaining such a robust database is the existence of duplicate vendors. Duplicate vendors generally occur as a result of misspellings, change of address, or by failure to periodically review of the master file. A master file containing many duplicate vendors can increase the risk of double payments, fraudulent payments, and takes up vital data space within the accounting software.

### **Test Results**

Looking through the vendor database, we noted several instances where there were duplicate vendors listed, either due to a vendor name change or the creation of a new vendor without deactivating the original vendor. We also noted that old vendors for which disbursements hadn't been made for a long period of time were still active.

### **Recommendation:**

The District should consider performing periodic reviews of their vendor database to ensure information is up to date. This would eliminate the possibility of double payments being issued to vendors.

### **Notable Existing Controls**

During our engagement we noted a number of valuable controls already in place, some examples of these are as follows:

- The District is adopting new Bid and quote thresholds from the state as well as piggy backing and best value.
- Check stock is kept locked at all times in a closet with accounts payable and payroll check stock are color coded to prevent confusion.
- Signature disks are locked at all times.

# Bedford Central School District

## Best Practice Comparison

### Best Practice Comparison

<b>Best Practice Procedures and Areas of Common Weakness</b>	<b>Bedford Central School District</b>	<b>Similar size districts</b>	<b>Larger districts</b>
Segregation of duties for purchasing and accounts payable functions	✓	✓	✓
Limited software access rights, depending on position	✓	✓	✓
Access is protected by either permission, disks or security passwords	✓	✓	✓
Bid Manager software is used to analyze bids	-	-	✓
Automated requisition process with levels of approval	✓	✓	✓
Each year purchase order sequence is started with a new set of numbers	✓	✓	✓
Security designed check stock is used and stored in secure location	✓	✓	✓
Vendor list in nVision is periodically reviewed	-	✓	✓
Claims audit is done before and after checks are processed	-	-	-
Positive pay payment verification file uploaded to bank	✓	✓	✓
Check sequence log maintained	✓	✓	✓
Vendor invoices are stamped/marked paid after check is issued	✓	✓	✓
Copies of contracts, bids, RFP and quotes are accessible by Claims Auditor	✓	✓	✓
Budget transfers of \$10,000 or more require Board approval	✓	✓	✓