

***South Orangetown Central School District
Internal Audit Report On
Purchasing and Related Expenditures***

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Board of Education
South Orangetown Central School District
160 Van Wyck Road
Blauvelt, NY 10913

We have completed our internal audit of the South Orangetown Central School District's (the "District") purchasing and related expenditures process for the period July 1, 2023, through April 30, 2024.

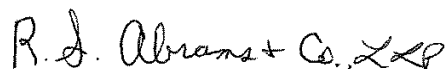
We are pleased to present the observations and recommendations from our internal audit of the District's purchasing and related expenditures process. The audit was conducted to evaluate the efficiency, effectiveness, and compliance of the purchasing and related expenditures process with relevant policies, procedures, and regulatory requirements, where applicable. Our audit objectives were designed to assess the control environment, internal controls, and risk management practices surrounding bidding, vendor selection, requisitioning, approvals and authorization, vendor payment and cash disbursements, expense reimbursement, and vendor maintenance.

Our procedures were not designed to express an opinion on the internal controls related to the purchasing and related expenditures process, and as such, we do not express such an opinion. Our audit of the District's purchasing and related expenditures process identified areas of strength as well as opportunities for improvement. By implementing the recommended enhancements, the District can further enhance the efficiency and effectiveness of its purchasing and related expenditures process.

We would like to acknowledge the courtesy and assistance extended to us by personnel of the District. We are available to discuss this report with the Board of Education (the "Board") or others within the District at your convenience.

This report is intended solely for the information and use of the Board, the Audit Committee, and the management of the District and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,



May 8, 2024

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AUDIT SCOPE

The goal of our internal audit is to review the internal control system to provide recommendations to the District to assist management in improving the financial accounting, internal controls, and procedures related to the District’s purchasing and related expenditures process. Our audit procedures were designed to review and identify areas for improvement in the internal control structure of the District’s purchasing and related expenditures process. The procedures and results of the audit procedures performed are included in the following pages.

Our observations and recommendations are directed toward improvement of the system of internal controls and should not be considered a criticism of, or reflection on, any employee of the District.

OVERVIEW, PROCEDURES PERFORMED, OBSERVATIONS, AND
RECOMMENDATIONS

AREA: COMPETITIVE BID PROCESS AND EVALUATION

Overview: The District follows General Municipal Law and requires that purchase contracts for material, equipment and supplies involving an estimated annual expenditure exceeding \$20,000 and public work contracts involving an expenditure of more than \$35,000 will be awarded only after responsible bids have been received in response to a public advertisement soliciting formal bids. Request for proposals (“RFPs”) and bids are posted on the District website and public procurement portals for the public to respond to. RFPs and bids are posted for two to three weeks depending on the type of RFP/bid to give bidders an appropriate time to respond. The Purchasing Agent is authorized to open and record bids. The District awards RFPs and bids based on the “Best Value” principle.

District policy also requires that verbal and/or written quotes be obtained and submitted with the requisition to the purchasing department for purchase contracts between \$1,000 and 20,000 and public work contracts between \$3,000 to \$35,000.

Relevant Board Policies Examined:

- Policy #6700, *Purchasing*
- Policy #6700-R, *Purchasing Regulation*
- Policy #6710, *Purchasing Authority*

Procedures Performed:

- Reviewed published Board policies to ensure the District’s bidding process is documented, conforms with District policies, as well as applicable regulatory requirements, and accurately reflects the current operations of the District.

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- Inquired with key District personnel to obtain an understanding of the bidding and evaluation process.
- Selected ten vendors to verify:
 - Adherence to statutory thresholds, bid advertising requirements, competitive bidding thresholds, and documentation standards.
 - Bid notices are adequately publicized through appropriate channels, such as District website, and/or procurement portals.
 - Completeness and accuracy of bid documents, ensuring alignment with procurement requirements and objectives.
 - Review documentation of bid evaluation criteria.

Observations: No exceptions noted.

Recommendations: None noted.

AREA: PURCHASE REQUISITIONING

Overview: The District’s purchase requisitioning procedures utilize *nVision*, the District’s accounting information system (“AIS”). Purchase requisitions are initiated by a respective building/department, then forwarded to an appropriate supervisor to review and approve. Any supporting documentation, such as competitive bids and quotes, are provided to the business office for the Purchasing Agent to review and approve. Once approved, the purchase requisition is subsequently converted into a purchase order within the AIS.

Relevant Board Policies Examined:

- Policy #6700, *Purchasing*
- Policy #6700-R, *Purchasing Regulation*
- Policy #6710, *Purchasing Authority*

Procedures Performed:

- Reviewed published Board policies to ensure the District’s purchase requisitioning is documented, conforms with District policies, and accurately reflects the current operations of the District.
- Inquired with key District personnel to obtain an understanding of the purchase requisitioning process.
- Reviewed staff assignments and AIS permissions to ensure appropriate segregation of duties among personnel involved in the purchasing process.
- Selected 25 disbursements to verify:
 - The completeness and accuracy of authorization documentation, including signatures, dates, shipping address, and supporting documentation.

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Observations: No exceptions noted.

Recommendations: None noted.

AREA: AUTHORIZATION AND APPROVAL PROCESS

Overview: Once the Purchasing Agent reviews and approves the purchase requisition, it is converted to a purchase order. Only the Purchasing Agent has the system permissions to convert purchase requisitions into purchase orders. The approval process and the layers of approval are documented on the purchase order forms.

Relevant Board Policies Examined:

- Policy #6700, *Purchasing*
- Policy #6700-R, *Purchasing Regulation*
- Policy #6710, *Purchasing Authority*
- Policy #9120.1, *Conflict of Interest*

Procedures Performed:

- Reviewed published Board policies to ensure the District’s authorization and approval process is documented, conforms with District policies, and accurately reflects the current operations of the District.
- Reviewed the AIS permissions to ensure only Board authorized individuals can create requisitions and convert purchase requisitions into purchase orders.
- Selected 25 disbursements to verify:
 - The completeness and accuracy of authorization documentation, which includes signatures, dates, shipping address, receiving reports, and supporting documentation was retained.

Observations: We identified multiple individuals no longer with the District for which requisition and purchase order permissions were not disabled within the AIS. We acknowledge that the District has already requested that access and permissions be removed for the identified employees.

Recommendations: We recommend that the District regularly review AIS permissions listings in order to ensure that only authorized and appropriate individuals are provided with access.

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AREA: VENDOR PAYMENTS AND CASH DISBURSEMENTS

Overview: Once the business office receives the invoice and the receiving report from the requisitioning department, the invoices are entered into the AIS and a vendor check will be printed in the next check cycle. Before the checks can be mailed to vendors, all vouchers are presented to the District's external claims auditor for review and approval. The claims auditor is not involved in any other processes by the District and is responsible for ensuring sufficient documentation and approvals exist for all outgoing vouchers.

As it relates to electronic or wire transfers, per District policy, at least two individuals must be involved in each transaction. All wire transfers must be initiated and approved by either the District Treasurer or Deputy Treasurer. The wire transfer will be authorized for release by the School Business Administrator or by the District Treasurer.

Relevant Board Policies Examined:

- Policy #6700, *Purchasing*
- Policy #6700-R, *Purchasing Regulation*
- Policy #6650, *Claims Auditor*
- Policy #6410, *Authorized Signatures*
- Policy #6415, *Electronic or Wire Transfers*
- Policy #6415-R, *Electronic or Wire Transfers Regulation*

Procedures Performed:

- Reviewed published Board policies to ensure the District's vendor payments and cash disbursement process, including check disbursements and wire transfers, is documented, conforms with District policies, and accurately reflects the current operations of the District.
- Reviewed claims auditor reports to ensure monthly claims reports are presented to the Board of Education.
- Sampled 25 check disbursements to verify that disbursements are properly supported by documentation such as invoices, receipts, or authorization forms, and the claims auditor's review is clearly documented.
- Sampled 3 wire transfer disbursements to verify that disbursements are properly supported by documentation such as invoices, receipts, or authorization forms, evidence of authorization and release is documented, and the claims auditor's review is clearly documented.

Observations: No exceptions noted.

Recommendations: No recommendations noted.

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AREA: TRAVEL AND CONFERENCES/EXPENSE REIMBURSEMENT

Overview: The District allows employees to be reimbursed for reasonable, actual, and necessary out-of-pocket expenses incurred while traveling for school district related activities that have been preapproved by the Superintendent of Schools. Reimbursement will be made for expenses covering fees and/or registration, hotel and travel accommodation, and other reasonable out-of-pocket expenses. Mileage will be reimbursed using the rate issued by the Internal Revenue Service for related travel. To obtain an expense reimbursement, the staff member must complete and sign an expense voucher, attach all itemized receipts or other expense documentation, together with a copy of the approved conference attendance request form and evaluation report (if required), which is then submitted to an appropriate administrator.

Relevant Board Policies Examined:

- Policy #6830, *Expense Reimbursement*
- Policy #6830-R, *Expense Reimbursement Regulation*
- Policy #2521, *School Board Conferences*
- Policy #8330, *Authorized Use of School Owned Materials and Equipment*

Procedures Performed:

- Reviewed published Board policies to ensure the District’s travel and conferences/expense reimbursement process is documented, conforms with District policies, and accurately reflects the current operations of the District.
- We selected 12 transactions related to travel and conference expenditures and employee reimbursements for mileage and cell phones to verify:
 - The District obtained proper approvals prior to reimbursement of travel and conference expenditures,
 - Retained itemized receipts,
 - Utilized proper reimbursement rates,
 - Verified sales tax was not reimbursed, and
 - Retained proof of attendance for training, if applicable.

Observations: No exceptions noted.

Recommendations: No recommendations noted.

AREA: USE OF DISTRICT AUTHORIZED CREDIT CARDS

Overview: The District permits the use of district-authorized credit cards by certain school

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officials and Board members to pay for actual and necessary expenses incurred in the performance of work-related duties for the District. The list of approved users is reported to the Board at the annual Reorganizational meeting. Users of the credit cards must submit detailed documentation, including itemized receipts for commodities, services, travel, and/or other actual and necessary expenses incurred.

Relevant Board Policies Examined:

- Policy #8335, *Use of Credit Cards*
- Policy #8335-R, *Use of Credit Cards Regulation*

Procedures Performed:

- Reviewed published Board policies to ensure the District’s credit card use process is documented, conforms with District policies, and accurately reflects the current operations of the District.
- We selected nine credit card disbursements to verify:
 - The District retained itemized receipts,
 - Expenditure was necessary in the performance of work-related duties for the District,
 - Purchase order was approved prior to use of the credit card for the purchase, and
 - Claims auditor approval is evidenced on the voucher package.

Observations: No exceptions noted.

Recommendations: No recommendations noted.

AREA: VENDOR MAINTENANCE:

Overview: The District’s AIS maintains vendor information such as address, employee identification number, and/or IRS 1099 form status. When a new vendor is entered into the AIS, the District is required to obtain a completed IRS Form W-9 for each new vendor. District employees are required to complete a disclosure form annually to ensure no conflicts of interest exist between employees and vendors used by the District. The purchasing department is responsible for handling vendor files such as adding, marking as inactive, and modifying vendors within the AIS.

As part of the new vendor information form that is completed when onboarding new vendors, the District obtains vendor name, address, contact information, tax identification number, and verification that the vendor does not have an affiliation with any employee of the District as per the conflict of interest policy.

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Relevant Board Policies Examined:

- Policy #9120.1, *Conflict of Interest*

Procedures Performed:

- Reviewed the District's policies and procedures related to conflict of interest.
- Reviewed the master vendor file and filtered data to verify the following:
 - Sorted data by vendor name and vendor identification number, purchasing and legal address to ensure multiple vendors are not assigned to one purchasing or legal address or one vendor identification number.
- We selected five active vendors from the master vendor file and obtained vendor payment history to ensure that the vendor is appropriately deemed as active within the system. Additionally, we ensure that appropriate vendor information is maintained, including IRS Form W-9.

Observations: No exceptions noted.

Recommendations: No recommendations noted.

CORRECTIVE ACTION PLAN

The District is required to prepare a corrective action plan in response to any findings contained in the internal audit reports. As per Commissioner's Regulations §170.12, a corrective action plan, which has been approved by the Board, should be submitted to the State Education Department within 90 days of the receipt of a final internal audit report.

The approved corrective action plan and a copy of the respective internal audit report should be submitted using the NYSED Business Portal.
