

Lansingburgh Central School District

Purchasing

NOVEMBER 2017



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

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Report Highlights

Lansingburgh Central School District

Audit Objective

Determine whether purchase orders (POs) were independently authorized and purchases were for appropriate District purposes.

Key Finding

- The Treasurer, also serving as the purchasing agent, has the ability to submit requisitions, creating a situation where purchases could be requested, approved and received by the same individual. Although the Deputy reviews POs for appropriateness, the reviews are subsequent to the purchase.

Key Recommendation

- The Superintendent, or someone in a position of authority over the Treasurer, should review and approve requisitions submitted by the Treasurer prior to the purchase being made.

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

Background

The Lansingburgh Central School District (District) is located in Rensselaer County and encompasses portions of the Towns of Brunswick, Pittstown and Schaghticoke, as well as the City of Troy.

A nine-member Board of Education (Board) is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The District's budgeted appropriations are funded primarily with State aid and real property taxes.

The Board-appointed purchasing agent is responsible for authorizing all District purchases.

Quick Facts

2016-17 Budgeted Appropriations	\$45 Million
2015-16 Issued POs	\$17 Million
2016-17 (through May 31) Issued POs	\$15 Million
Employees	352
Business Office Employees	6

Audit Period

July 1, 2015 – May 31, 2017

Purchasing

The District's Business Office staff responsible for purchasing includes the District Treasurer (Treasurer), Deputy Treasurer (Deputy), purchasing clerk and accounts payable clerk.¹ The Treasurer is responsible for the District's financial and recordkeeping functions. The Deputy also performs accounting duties and reviews cash disbursements, including those for purchases, prior to the payments being made. The District's purchasing process is centralized in the Business Office under the purchasing agent's supervision, using a computerized PO system that is integrated with the accounting software. The Treasurer serves as the Board-appointed purchasing agent.

Department heads and other authorized employees submit requisitions to the purchasing agent who reviews and approves the requisitions. The purchasing clerk then prints the approved PO, places the order with the vendor and distributes copies of the PO to the appropriate individuals.² The accounts payable clerk maintains custody of the original PO and prepares claim packets after receiving vendor invoices and a signed copy of the PO indicating goods or services were received. Before the accounts payable clerk prepares the claim packets, the Deputy reviews the issued POs for appropriateness and accuracy and she documents her review by initialing the POs' accounting copy.

How Should Districts Authorize Purchases?

A properly functioning PO system ensures adequate funds are available and the proposed purchase is for appropriate purposes before a PO is approved. Changes to authorized purchases, such as increases in quantity or price, should be processed similarly to the original POs to ensure the changes are also authorized and adequate funds are available. Additionally, it is important for the system to incorporate appropriate checks and balances to ensure that no individual controls all phases of a transaction. Specifically, one individual should not be able to request, approve and receive purchases. When it is not practical to segregate duties because of limited staff, the Board should establish compensating controls such as having a separate individual periodically review the work of staff under their direction.

The District's purchasing policy states that the Superintendent, with the assistance of the purchasing agent, is responsible for establishing and implementing procedures and standard forms for use in all of the District's purchasing and related activities. Established procedures and standard forms provide guidance to individuals involved in the process and ensure purchases are appropriate and authorized.

¹ The Business Office staff also includes a Business Administrator and payroll clerk with other financial duties outside of the purchasing process.

² The purchasing clerk maintains one copy and provides a copy to the individual who initiated the requisition as well as the accounts payable clerk.

Purchase Orders Were Authorized and For Appropriate Purposes

The Treasurer, also serving as the purchasing agent, has the ability to submit requisitions, creating a situation where purchases could be requested, approved and received by the same individual.³ Although the Deputy reviews POs for appropriateness, the reviews are subsequent to the purchase. Therefore, we reviewed 100 POs issued during our audit period, totaling \$7.4 million, to determine whether they were independently authorized and for appropriate purposes. Except for minor discrepancies which we discussed with District officials, POs were independently authorized and purchases were for appropriate District purposes. However, the review of the Treasurer's purchases should occur prior to the purchase and by an individual in a higher position of authority that does not report to the Treasurer.

What Do We Recommend?

1. The Superintendent, or someone in a position of authority over the Treasurer, should review and approve requisitions submitted by the Treasurer.

³ Of the 100 reviewed, only two POs, one for IT equipment support and another for postage, were requested and approved by the Treasurer.

Appendix A: Response From District Officials

The District's response letter includes attachments that support the response letter. Because the District's response letter provides sufficient detail of its actions, we did not include the attachments in Appendix A.

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November 2, 2017

State of New York
Office of the State Comptroller
Glens Falls Regional Office
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Dear Sir or Madam;

Please accept this correspondence and the attachments as the Correction Action Plan (CAP) for the Lansingburgh Central School District's audit of Purchasing for the period of July 1, 2015 through May 31, 2017. The Office of the State Comptroller (OSC) offered one (1) recommendation to the District; that the Superintendent, or someone in a position of authority over the Treasurer, should review and approve requisitions submitted by the Treasurer.

These recommendations have been taken under advisement and new procedures have immediately been implemented.

Recommendation: The Superintendent, or someone in a position of authority over the Treasurer, should review and approve requisitions submitted by the Treasurer

Corrective Action: The Director of Budget and Human Resources will approve all requisitions initiated by the Treasurer. This will be done both electronically, via the purchasing system, and manually, via paper requisitions, as required.

In closing, the District would like to commend the OSC staff for their professionalism and thoroughness during this audit process. We appreciate the comments and suggestions made during this process and look forward to using these suggestions to further strengthen our controls.

Cynthia DeDominick, Superintendent

Mary Sweeney, Board 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, we performed the following audit procedures:

- We interviewed District officials and employees and reviewed policies and procedures related to purchasing to gain an understanding of the District's purchase authorization process.
- We selected and reviewed 100 issued POs, which included a random sample of 50 and a judgmental sample of 50, to determine whether POs were authorized independently.
- We verified the appropriateness of purchases by reviewing claim packets including invoices, purchase requisitions, packaging slips and other supporting documentation.

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

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 2116-1(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 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. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports / Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

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