Complete the audit program below to support the Business Unit’s assessment of internal controls in this area. Please describe the controls in place, the testing done to determine whether the controls are working as intended and the results of this testing. Also, if the Business Unit identifies a lack of controls or any weaknesses in established controls, include a plan for corrective action or identify any compensating controls.

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| --- | --- | --- |
| **Control Objective and Activities** | **Tests** | **Results of Testing; Corrective Action Plan or Compensating Controls for Weaknesses Identified** |
| 1. **Business Unit ensures it has adequate processes in place to ensure that purchases:**
2. **Fulfill a business need**
3. **Comply with all applicable laws, rules and regulations**
4. **Be made with responsible vendors**
 | 1. Review the Business Unit’s policies and procedures related to the procurement process to determine whether the procedures include guidance on Control Objectives and Activities A (a – c), or in the absence of such guidance, determine whether the Business Unit’s practice addresses these items. In addition, ensure that policies and procedures are:
	1. Easy to understand and comply with applicable laws, rules and regulations,
	2. Periodically reviewed to ensure they reflect the actual business processes and are economical and efficient,
	3. Designed to ensure goods and services procured meet their form, function, and utility.

Document material exceptions and review with management. |  |
| 1. **Business Unit verifies that all purchases of goods and services are necessary to fulfill a business need.**
 | 1. Review the Business Unit’s policies and procedures to determine whether the procedures direct Business Units to consider the following when goods are needed:
2. Inventory levels
3. Reorder points
4. Order quantities
5. Funding availability
6. Impending needs
7. Approvals
8. Volume discounts
9. Estimated cost
10. Review the Business Unit’s policies and procedures to determine whether the procedures direct Business Units to consider the following when services are needed:
11. Evaluation of program/administrative needs.
12. Monitoring of service checkpoints (e.g. maintenance schedules, contract end dates).
13. Funding availability and approvals
14. Availability of in-house resources
15. For a representative sample of payments for goods and services, examine relevant documents to determine whether the purchase was necessary.

Document material exceptions and review with management. |  |
| 1. **Business Unit procures in accordance with all applicable laws, rules and regulations.**
 | 1. Review the Business Unit’s policies and procedures to determine whether the procedures direct Business Units to maintain a procurement record to document the decisions made and the approach taken in the procurement process.
2. For a representative sample of payments for goods and services:
3. Review the procurement record to determine if the Business Unit followed the order of procurement, as required by State Finance Law Section 163:
	* 1. Preferred Sources
	1. For goods, priority should be given as follows:
		1. Corcraft
		2. NYS Industries for the Blind
		3. Equal priority should be given to the NYS Industries for the Disabled, Office of Mental Health and Veterans workshops.
	2. For services, equal priority should be given to the NYS Industries for the Blind, NYS Industries for the Disabled, Office of Mental Health and Veterans workshops.
		1. OGS Centralized Contracts
		2. Pre-existing Agency or Multi-Agency established contracts
		3. Open market procurement, which includes:
4. Discretionary purchasing below the Business Unit’s discretionary threshold, including purchases with small or certified MWBE businesses or businesses owned by State employees, should include evidence to substantiate reasonableness of price (i.e., written or verbal quotes). For more information, please see State Finance Law, section 163(6) and Public Officer's Law Section 73.
5. Formal, competitive procurement process
6. Single and Sole Source
7. Business Unit must obtain OSC approval in order to be exempt from advertising in the Contract Reporter.
8. Business Unit must obtain OSC approval of the contract if the contract amount is over the discretionary limit.
9. Determine whether the Business Unit ensures competitive bidding for purchases above the discretionary levels, including complying with Public Officer’s Law, section 73.
	* 1. Identify vendors owned by State employees. Ensure compliance with Public Officer's Law Section 73(4)(a), which requires public notice and competitive bidding for purchases over $25.
		2. Identify that the agency is appropriately determining whether a purchase is within discretionary thresholds. Tests to consider include:
10. Looking for payments slightly below discretionary levels
11. Analyzing discretionary purchases over a one-year period
12. Determine whether the Business Unit appropriately advertised in the NYS Contract Reporter, where required.
13. If the Business Unit did not advertise, determine whether the Business Unit obtained OSC approval to be exempt from this requirement.
14. For purchases below the Business Unit’s discretionary level, determine whether the Business Unit can substantiate reasonableness of price and vendor selection.

 Document material exceptions and review with management. |  |
| 1. **Business Unit does business with responsible vendors.**
 | 1. Review the Business Unit’s policies and procedures to determine whether the procedures direct Business Units to ensure that bidders are responsible prior to awarding State contracts in accordance with section 163(9)(f) of the State Finance Law. Procedures should direct the Business Unit to make the responsibility determination based on many factors, including, but not limited to, the bidder’s:
	1. Financial and organizational capacity to perform the contract
	2. Legal authority to do business in NYS (i.e., has all the necessary qualifications such as licenses, insurance, etc.)
	3. Integrity of the owners/officers/principals/members and contract managers; and
	4. Past performance of the bidder on prior government contracts.
2. For a representative sample of contracts, determine whether the vendor was responsible.

Document material exceptions and review with management. |  |
| 1. **Business unit ensures goods and services are procured at a reasonable price.**
 | 1. Review the Business Unit’s policies and procedures to determine whether the procedures direct Business Units to justify and document the reasonableness of the price to be paid.
2. For a representative sample of payments for goods and services, determine whether the Business Unit paid a reasonable price. Price reasonableness can be determined by assessing the following:
	1. Responses to a NYS Contract Reporter Ad
	2. Responses to an Invitation For Bid
	3. Responses to a Request For Proposal
	4. Bid tabulations
	5. Contract vs. non-contract pricing
	6. Informal quotes
	7. Historical cost information
	8. Costs to other governmental agencies
	9. Industry pricing standards.
	10. Reasonableness of the number of hours proposed for services to be performed.

Document material exceptions and review with management. |  |
| 1. **Business Unit has an approval process for all purchases, which includes:**
2. **Ensuring there is an adequate separation of duties between the purchasing, receiving and accounts payable functions.**
3. **Implementing compensating controls (such as additional oversight/approvals, staff rotation, or mandatory time off) when adequate separation of duties is not feasible.**
4. **Obtaining prior approval from OSC as required by Section 112 of the State Finance Law.**
 | 1. Review the Business Unit’s policies and procedures related to the procurement process to determine whether the procedures include guidance on Control Objectives and Activities F (a-c), or in the absence of such guidance, determine whether the Business Unit’s practice addresses these items. For a representative sample of payments:
	1. Examine relevant documents to determine if they have all appropriate approvals consistent with the Business Unit’s policies and Section 112 of the State Finance Law.
	2. Where there is an identified lack of separation of duties, ensure compliance with compensating controls.

 1. For any material exceptions identified in Control Objectives and Activities A-E, interview staff involved in the approval process to determine how these purchases were approved.
2. Determine whether there was an adequate separation of duties between the purchasing, receiving and accounts payable functions.
	1. For a representative sample of payments for goods and services, determine whether the following duties were adequately separated:
		1. Requisitions for goods/services were made by someone other than the person approving the purchase.
		2. Purchases of goods/services were made by someone other than the person receiving the goods/services.
		3. Purchases of goods/services were made by someone other than the person approving the payment of resultant claims.
		4. Purchases of goods/services were made by someone other than the person auditing the resultant claims.
	2. Where the above duties were not separated, determine whether management has implemented any compensating controls.

Document material exceptions and review with management. |   |
| 1. **Business Unit should maintain the documentation accompanying the procurement request for time frames consistent with State records retention laws. This includes ensuring the following:**
2. **Business Unit obtained State Archive approval for the destruction of any documents that are maintained electronically.**
3. **Business Unit redacted confidential data from documents attached in SFS and maintained the original copies.**
 | 1. Review written policies and procedures related to document maintenance to determine if they include guidance on Control Objective and Activities G (a-b), or in the absence of such guidance, determine whether the Business Unit’s practice addresses these items.
2. For a representative sample of payments:
3. Determine if the Business Unit retained all the appropriate supporting documentation related to the procurement (e.g., bids, quotes, waivers, etc.). The documentation should be clear, legible, well organized and easily accessible.
4. Determine if the documentation retained by the Business Unit fully supports the procurement.
5. If the Business Unit retains records via electronic media only:
	1. Determine if it has a Records Disposition Request form (REC-3) with an authorized signature from the New York State Archives to destroy original documents.
	2. Review the documents for information or confidential information that should have been redacted but was not.
	3. If the documents contain redacted information, determine if the Business Unit retained the original hard copy in its files.

Document material exceptions and review with management. |  |