When purchasing goods or services, the agency must: (i) make purchases in accordance with NYS Procurement Guidelines; (ii) adhere to Guide to Financial Operations (GFO) policy when creating, configuring and processing the purchase order in the Statewide Financial System (SFS), or its respective financial management system (FMS); (iii) determine whether the goods or services were properly received and (iv) maintain and retain appropriate documentation to support purchases.

Please refer to the audit program below to assist with determining the agency’s assessment of internal controls over purchase order (PO) use, and the maintenance and retention of supporting documentation. Please disclose: (i) whether the controls are working as intended to determine the proper use of purchase orders, (ii) any lack of controls or weaknesses in established controls and (iii) a corrective action plan or compensating controls to address such lack of controls or weaknesses. If the agency chooses to do so, audit programs to evaluate internal controls over [purchasing](https://www.osc.state.ny.us/files/state-agencies/docs/xii-4-d-att2.docx) and [receiving](https://www.osc.state.ny.us/files/state-agencies/docs/xii-4-d-receiving-cert.doc) are available in [GFO Section XII.4.D - Certification of Internal Controls over the Payment Process](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xii/xii4d-certification-internal-controls-over-payment-process). The agency must retain and, upon request, make documentation available for review by OSC.

Prior to completing the audit program, the agency should access SFS Analytics to obtain payment data and select a sample of transactions to review and test. It is recommended that the agency use the various SFS Analytics reports, along with information from its own FMS when applicable, to assist with completing this audit program. Please refer to the [Frequently Asked Questions](https://www.osc.state.ny.us/files/state-agencies/docs/xii-4-d-faq.docx) in [GFO Section XII.4.D - Certification of Internal Controls over the Payment Process](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xii/xii4d-certification-internal-controls-over-payment-process) for additional information about the SFS Analytics reports to use. **Bulkload agencies** can contact SFS ([helpdesk@sfs.ny.gov](mailto:helpdesk@sfs.ny.gov)) to request access to SFS Analytics. The agency should select a sample that accurately represents the population, and maintain documentation indicating how the sample was selected.

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| **Control Objective and Activities** | **Testing** | **Results of Testing; Corrective Action Plan or Compensating Controls for Weaknesses Identified** |
| **Agency determined the proper use of purchase orders and the agency had a process that includes verifying the following:**  The agency made purchases in accordance with NYS procurement laws, rules, regulations and policy including but not limited to [NYS Procurement Guidelines](https://ogs.ny.gov/system/files/documents/2018/08/psnys-procurement-guidelines.pdf).  The agency made purchases as required by GFO policy as follows:   * The agency adhered to [GFO Section XI-A.3 - Purchase Orders](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xia/xi-a3-purchase-orders) for the applicable purchasing and vendor credit requirements. * The purchase order lines described the specific good and/or service ordered as well as the related price(s). * The agency properly configured (e.g., used correct unit of measure, etc.) the purchase order for receiving, when required. * The purchase order referenced the appropriate payment and discount terms from the vendor, when applicable.   The agency issued/authorized the purchase order according to agency requirements. | Review the agency’s written policies and procedures related to the proper use of purchase orders to determine if they include guidance on control objectives and activities, or in the absence of such guidance, determine whether the agency’s activities address these items.  2. Perform the following testing procedures for a representative sample of transactions selected from the data obtained from SFS Analytics and/or the agency’s FMS. For additional information on obtaining the data necessary to select the sample, see [GFO Section XII.4.D - Certification of Internal Controls over the Payment Process](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xii/xii4d-certification-internal-controls-over-payment-process): [Frequently Asked Questions](https://www.osc.state.ny.us/files/state-agencies/docs/xii-4-d-faq.docx).  a. Determine whether the agency followed the appropriate procurement process to obtain the goods and/or services.  Review the procurement record to determine if the agency followed the priority of purchasing requirements of State Finance Law § 163.  Determine whether the agency obtained, and retained documentation to support the following, as applicable:   * + competitive bidding for purchases above discretionary levels;   + advertisement in the NYS Contract Reporter; and   + reasonableness of price and vendor selection for purchases below the agency’s discretionary level.   1. Determine whether the agency complied with the requirements for purchase order use per [GFO Section XI-A.3 - Purchase Orders](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xia/xi-a3-purchase-orders) for transactions in the following categories:   Single purchases of $10,000 or more, or where purchase order use is required per contract terms, etc. from any vendor that has the classification “procurement supplier” in the SFS Vendor File.   * A single purchase is one transaction containing any quantity and combination of items. For example, 20 units of item X at $400 and 20 units of item Y at $100, for a total of $10,000, purchased during one transaction (e.g., procurement card “swipe”, voucher, etc.). * Consistent with the split ordering guidance in State Finance Law § 163 (6-b), a single purchase of $10,000 or more should not be artificially divided to avoid this purchase order requirement.   Purchases from agency contract(s) regardless of the dollar value of the contract(s).  For instances where a confirming purchase order was used, verify it was for emergency purchases when the agency was unable to create a purchase order prior to purchase, as referenced in the *Preferred Source, Centralized Contract and Discretionary Purchases* header of [GFO Section XI-A.3 – Purchase Orders](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xia/xi-a3-purchase-orders).  For instances where a payment was already made, and the vendor later provided a credit for previously paid goods and/or services. For **online agencies**, determine whether it created a credit adjustment voucher or issued a Refund of Appropriation (ROA), and verify if the credit was associated with the original payment voucher and the related purchase order as recommended in the *Applying Credits* header of [GFO Section XI-A.3 – Purchase Orders](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xia/xi-a3-purchase-orders).   * **Online agencies** should reference the [Frequently Asked Questions](https://www.osc.state.ny.us/files/state-agencies/docs/xii-4-d-faq.docx) section of [GFO Section XII.4.D - Certification of Internal Controls over the Payment Process](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xii/xii4d-certification-internal-controls-over-payment-process) for additional information on identifying this data in the sample. * **Bulkload agencies** should ensure compliance with relevant procedures for applying credits.   In addition, for **bulkload agencies**, determine whether the agency:   * Adopted and followed purchase order policies specific to its FMS’s use. * Populated the contract ID and contract line number on the purchase order line for agency and centralized contract purchases bulkloaded into the SFS.   1. Determine whether the purchase order line(s) describe the specific goods and/or services ordered as well as the related price(s).   This should include, but not be limited to, determining if the agency included the appropriate category code and unit of measure. For example, it may be appropriate for the agency to conduct quantity-based receiving (e.g., hours as the unit of measure) for security guard services, nursing services, hourly based IT services, etc.  Determine whether the agency verified the prices of goods and/or services matched the agreed-upon amount established during the initial steps of the procurement process (e.g., RFP, etc.).   * 1. Determine whether the agency properly configured the purchase order for receiving, when required in [GFO Section XI-A.9 - Receiving](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xia/xi-a9-receiving):   For **online agencies**, determine whether the agency established the purchase order correctly (e.g., on the header and/or line level) to indicate whether receiving was based on quantity or amount only. Proper configuration assists with SFS’s matching and payment tolerances functionality. Please reference [SFS PO Best Practices](https://www.sfs.ny.gov/secure/files/infocenters/POBestPracticesGuidance.pdf%20) located in SFS Secure for guidance on this topic along with specific examples to reference. (Note: Please contact your Agency Security Administrator for assistance with SFS Secure access.)  For **bulkload agencies,** determine whether the agency established and followed its own policies for proper purchase order use, including guidance contained under the header *Bulkload Agencies* in [GFO Section XI-A.3 – Purchase Orders](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xia/xi-a3-purchase-orders).   * 1. Determine whether the purchase order included relevant payment and discount terms, when applicable. Please refer to [GFO Section XII.5.F.4 - Selecting the Appropriate Payment Terms](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xii/xii5f-payment-dates-and-terms-overview) for additional information.   Determine whether the purchase order contains the agreed upon payment terms obtained from the vendor location information in SFS, contract, etc.   * 1. Determine whether agency policy required pre-approval(s) for purchases and obtain evidence of such approvals for confirmation. Please see the [Purchasing Internal Controls Audit Program](https://www.osc.state.ny.us/files/state-agencies/docs/xii-4-d-att2.docx), Section F for additional guidance to assist with these steps.   *Document material exceptions and review with management.* |  |
| **Agency maintained appropriate documentation to support purchases made using a purchase order and the agency had a process that includes verifying the following:**  Sufficient, appropriate documentation supporting the procurement process and appropriateness of the payment is readily available.  The agency had a documented record retention process and documentation was maintained in accordance with the NYS Archives’ record retention requirements. | 1. Review written policies and procedures related to record retention to determine if such policies include guidance on control objectives and activities, or in the absence of such guidance, determine whether the agency’s daily activities address these items. 2. For a representative sample of transactions:   Determine whether the agency retained sufficient and appropriate documentation to support the procurement process and payment appropriateness.   * Examples of documentation include, but are not limited to, the procurement record, invoices, payment confirmations, credit card receipts, receiving acknowledgment. * For additional information on the types of documentation the agency may use to verify claims for payment see [GFO Section XII.4.B - Supporting Information](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xii/xii4b-certification-vouchers).   Determine whether agency complied with [NYS Archives General Retention and Disposition Schedule](http://www.archives.nysed.gov/records/retention-schedules) and [GFO Section XII.3 - Record Retention.](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xii/xii3-record-retention-accounts-payable-vouchers-and-land-claims)  *Document material exceptions and review with management.* |  |