
**Blind Brook-Rye Union Free School District
School Business Office
390 North Ridge Street
Rye Brook, New York 10573**

TO: Bill Stark

FROM: Jonathan Ross

RE: **INTERNAL AUDIT: 2010-2011 Agreed Upon Procedures Report
*Corrective Action Plan – Purchasing Activities***

DATE: 12/13/10

Per engagement letter with the Board-appointed internal auditors, Cullen & Danowski, LLP, they conducted an analysis of the effectiveness of the District's purchasing activities in complying with school board policy and regulation (#5410). They examined 40 different accounts for the period July 1, 2009 to August 31, 2010. The results of their analysis are contained in the enclosed report booklet.

As discussed during the audit, the business office does an effective and efficient job complying with the board's policy/regulation concerning municipal purchasing. The audit study findings did not reveal any instance of fraud or any misappropriation of District funds. The Board's purchasing policy and regulation are well known throughout the District by employees with access to Finance Manager and responsible for processing requisitions and purchase orders. All bid files were complete and properly executed.

On the pages that follow is the corrective action plan details relative to four recommendations listed in the report dated October 20, 2010. Please note that I am the appointed Purchasing Agent for the District.

Recommendation 1: "We recommend that in the instances in which goods or services are purchased under state contract or cooperative bid that the documentation contain a note containing the bid number or contract number. In addition, the Purchasing Agent may require documentation regarding the specific prices charged be included in the requisition package."

The District agrees with the recommendation and will include the state contract or cooperative bid or award number on the face of the requisition at the time it is submitted for approval. The pricing page from the bid will be attached to the requisition at the time it is submitted to the business office for level 2 approval.

Recommendation 2: "We recommend that the Purchasing Agent enforce the requirement for multiple quotes and obtain explanations and documentation for any variance with the regulation prior to issuing a purchase order. In addition, individual transactions in amounts greater than the amount for which multiple quotes are required should not be

processed against blanket purchase orders. In these cases a separate purchase requisition with required quotes should be submitted.”

The District agrees with the recommendation and will ensure that regulation 5410R is followed as it concerns obtaining multiple quotes when the threshold limits of the purchase are exceeded. These limits are \$1000 for equipment, materials, or supplies and \$5000 for public works projects. The practice of making a purchase in excess of \$1000 from a blanket purchase order will no longer be permitted; a separate requisition will need to be submitted for any such purchase as stated in the recommendation.

Recommendation 3: “We recommend that the District consider reassigning the responsibility for data entry into the accounts payable system from the Treasurer to the Accounts Payable Clerk.”

The District understands the importance of segregation of duties. Segregation of duties can be achieved in a number of different ways which can produce the desired results. Factors such as staff size and economies of scale must be taken into account when designing methods to segregate certain functions. With that said, there are small number of situations where the Treasurer initiates requisitions and purchase orders. The Treasurer only processes school lunch fund, capital fund, and trust and agency payments. In these few cases, the Purchasing Agent and the Superintendent approve the requisition before it is converted into a purchase order (thus achieving the desired control feature). Upon receipt of an invoice the Treasurer inputs the invoice into the accounting system and gives the paperwork to the accounts payable clerk to produce the check. The Treasurer does not have the ability to print checks. The payment is then reviewed and approved by the internal claims auditor. This clearly achieves the desired segregation and control over payments.

Recommendation 4: “We recommend that properly authorized increases to purchase orders be administered prior to the services being provided. This requires diligent oversight by the department that is using the services so that changes to the initial purchase order can be processed timely and with the appropriate level of approval.”

The district agrees with the recommendation and will implement a process to avoid this oversight in the future. Any purchase that exceeds the initial purchase order amount will require that appropriate approval be received prior to execution of a payment to the vendor.

Please let me know if you or any Board Member has questions or concerns.

Enclosure

Copy to: Board of Education
Audit Committee Members
Philip Silano