



# New Hartford Central School District Procurement

## Report of Examination

Period Covered:

July 1, 2014 – February 22, 2016

2016M-153



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

July 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the New Hartford Central School District, entitled Procurement. This audit was conducted 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.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*

# Introduction

## Background

The New Hartford Central School District (District) is located in the Towns of New Hartford, Paris and Kirkland in Oneida County and the Town of Frankfort in Herkimer County. The District is governed by the Board of Education (Board), which is composed of seven elected members. The 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 day-to-day management of the District under the Board's direction.

The District operates five schools with approximately 2,600 students and 240 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$49,419,245, which were funded primarily with State aid and real property taxes.

## Objective

The objective of our audit was to examine the District's procurement procedures. Our audit addressed the following related question:

- Does the District procure goods and services in accordance with its procurement policy and applicable statutes?

## Scope and Methodology

We examined procurement procedures of the District for the period July 1, 2014 through February 22, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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.

## Comments of District Officials and Corrective Action

The results of our audit and recommendation have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendation and indicated they would take corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a

(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendation in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next 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. The Board should make the CAP available for public review in the District Clerk's office.

## Procurement

An effective procurement process helps ensure that goods and services of the right quality, quantity and price are purchased in compliance with Board and legal requirements, without the influence of favoritism, extravagance or corruption. It is important that District officials seek competition when available. New York State General Municipal Law (GML) requires advertising for competitive bids for purchase contracts that equal or aggregate to more than \$20,000 and for public works contracts that equal or aggregate to more than \$35,000.<sup>1</sup> GML also requires the Board to adopt written policies and procedures for the procurement of goods and services that are not subject to competitive bidding, such as professional services, to ensure that the District obtains these services from qualified providers at the most economical cost. These policies and procedures should indicate when District officials must issue requests for proposals (RFPs), outline the procedures for determining which method will be used and provide for adequate documentation of the actions taken. Further, while there are no set rules regarding the frequency of initiating competition for professional services, the District's procurement policy should address this matter and require competition at reasonable intervals.

The Board has adopted a procurement policy for the procurement of goods and services. It states that all items or groups of items whose total exceeds \$2,500 but is less than the limits prescribed by GML require at least two written quotes from vendors. The District also established bidding limits in accordance with GML. In addition, District officials established a non-bid purchasing policy which states that, when feasible, professional services should be retained after considering information about the prices charged by alternative service providers. The policy also states that RFPs shall be issued periodically, as determined by the Board, for professional services, and that the Board shall monitor the District's use of professional services and periodically issue RFPs to assess the cost effectiveness of the services used by the District.

While District officials did develop a policy to address the procurement of goods and services not subject to competitive bidding, the policy did not specify the frequency of seeking competition for professional services. Further, we did not find any evidence that the Board determined which professional services were subject to the RFP process or any evidence that the Board monitored the RFP procedures for professional services. The Assistant Superintendent

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<sup>1</sup> Purchases made through State or county contracts need not be competitively bid.

for Business Affairs explained that she will initiate the RFP process for professional services and bring the RFP before the Board for approval.

To determine if District officials procured goods and services in accordance with District policy and the statutory requirements, we judgmentally selected 29 purchases<sup>2</sup> totaling \$1,590,503 that were subject to the District's procurement policy during the period July 1, 2014 to February 22, 2016. Specifically, we reviewed 10 purchases (e.g., musical instruments, carpeting, field painting and gym equipment) that were greater than \$2,500 but less than \$20,000 to determine whether they had two written quotes; 10 purchases (e.g., buses, roofing repairs, lighting fixtures and drilling services) that were in excess of \$20,000 to ensure they were competitively bid in accordance with GML and District policy; and nine professional services (e.g., engineering, legal services and audit services) to determine whether proposals were obtained through the use of RFPs. Except for minor discrepancies that we discussed with District officials, these purchases were made in accordance with the District's policy.

## **Recommendation**

1. The Board should update the procurement policy to clearly identify when and how District officials will seek competition for professional services.

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<sup>2</sup> See Appendix B, Audit Methodology and Standards, for details on our test selection.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

The District officials' response to this audit can be found on the following pages.

## NEW HARTFORD CENTRAL SCHOOL DISTRICT

33 Oxford Road  
New Hartford, NY 13413

ROBERT J. NOLE  
*Superintendent of Schools*  
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July 19, 2016

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PSU-CAP Submission  
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Albany, New York 12236

New York State Education Department  
Office of Audit Services, Room 524 EB  
89 Washington Avenue  
Albany, New York 12234

Dear Office of State Comptroller:

The New Hartford Central School District has received and reviewed the preliminary draft Report of Examination for the audit period July 1, 2014 – February 22, 2016. The New Hartford Central School District appreciates the opportunity to acknowledge the findings and provide a future corrective action plan in response to the audit recommendation.

During the course of the audit the Comptroller's Office conducted a risk assessment of the District's financial processes, including payroll, financial oversight, cash receipts and disbursements, purchasing and personnel services. The audit focused on procurement. As part of this examination the Comptroller's Office identified processes that can be strengthened in our procurement policy. The administrative team concurs with these recommendations and a Corrective Action Plan will be approved within ninety (90) days of the release of the report.

While the audit did not identify any improper practices it did provide recommendations on how to further improve the District's Procurement Policy.

The recommendation is as follows:

1. The Board should update the procurement policy to clearly identify when and how District officials will seek competition for professional services.

The administrative team concurs with these recommendations and will recommend their implementation to the Board of Education as described below:

1. Written policies and procedures will specify that Requests for Proposals for professional services will be conducted at a minimum every five years or at the request of the Board of Education. The professional service provider chosen through the Request for Proposal process will be approved by the Board of Education and will be reflected in the meeting minutes.

This corrective action plan will be fully discussed and recommended for approval by the Board of Education within ninety (90) days of the release of the report and implemented by June 30, 2017.

The administrative team as well as the Audit Committee appreciates your assistance in further strengthening our internal controls and processes. The audit was both thorough and professional and we appreciate the communication throughout the audit process.

Sincerely,

Robert J. Nole  
Superintendent of Schools

RJN:rak

cc: Board of Education

Mr. John McKeown, Assistant Superintendent for Business Affairs  
[REDACTED]

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed individuals regarding District procurement policies and procedures.
- We reviewed the procurement policy and related District policies and procedures to gain an understanding of the District's procurement process.
- We reviewed the Board meeting minutes for the period July 1, 2014 through February 22, 2016.
- We used electronic cash disbursement data to determine the population of vendors who had total purchases between \$2,500 and less than \$20,000 and judgmentally selected 10 purchases for testing based on substantial work performed. In addition, we used electronic cash disbursement data to determine the population of vendors who had total purchases in excess of \$20,000 and judgmentally selected 10 purchases for testing so as to have a variety of representative purchases in our sample. Lastly, we selected all nine professional services that were greater than \$15,000, which represented about 60 percent of the population of professional service providers.
- We reviewed pertinent documents for each sample selected, including the requisitions, purchase orders, vouchers, vendor invoices, State contracts, county bids, cooperative agreements and written vendor agreements to determine if the purchases complied with the District's procurement policy.
- We used electronic cash disbursement data to aggregate purchases exceeding bidding limits by vendor and reviewed requisition packets and supporting documentation to determine if the purchases complied with the District's procurement policy.

We conducted this performance audit in accordance with GAGAS. 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.

## APPENDIX C

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**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
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