



Westhill Central School District Procurement

Report of Examination

Period Covered:

July 1, 2014 – December 31, 2015

2016M-182



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State of New York Office of the State Comptroller

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 Westhill 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 Westhill Central School District (District) is located in the Towns of Geddes and Onondaga in Onondaga County. The District is governed by the Board of Education (Board), which is composed of five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools 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. Annually, the Board appoints the Assistant Superintendent for Business Administration to serve as the District's purchasing agent.

The District operates three schools with approximately 1,775 students and 340 employees. The District's budgeted appropriations for the 2015-16 fiscal year were approximately \$35.3 million, which were funded primarily with real property taxes and State aid.

Objective

The objective of our audit was to evaluate the District's purchasing practices. Our audit addressed the following related question:

- Did the District purchase goods and services in accordance with District policies and statutory requirements of the highest quality and at the lowest possible cost to residents?

Scope and Methodology

We examined the District's purchasing practices for the period July 1, 2014 through December 31, 2015.

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 recommendations 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 recommendations and indicated they planned to initiate 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 recommendations 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

General Municipal Law (GML) requires school districts to solicit competitive bids for purchase contracts that equal or aggregate to more than \$20,000 and public works contracts that equal or aggregate to more than \$35,000. GML also requires the Board to adopt written policies and procedures for the procurement of goods and services not subject to competitive bidding, such as professional services and items that fall under bidding thresholds. These policies and procedures should indicate when District officials must use competition and the competitive methods that will be used. The Board is responsible for enforcing compliance with purchasing requirements and ensuring that written agreements are entered into for professional services to provide a clear understanding of the services expected and the basis of compensation. An effective purchasing process helps ensure District funds are spent efficiently while guarding against favoritism, extravagance and fraud.

Although the District complied with competitive bidding requirements and adopted a purchasing policy, the policy did not include guidance for procuring professional services. As a result, District officials did not use competitive methods when procuring services from five professionals costing \$363,815. In addition, although the policy did require District officials to obtain written quotes for purchases under the competitive bidding thresholds, they did not obtain the required quotes for 11 purchases costing \$49,250. District officials also did not enter into a written agreement with an attorney for services costing \$44,586. As a result, there was no assurance that certain goods and services were procured in the most economical way and in the best interests of residents, or that there was agreement as to the attorney's services and compensation.

Professional Services

GML does not require competitive bidding for the procurement of professional services that involve a specialized skill, training and expertise; the use of professional judgment or discretion; or a high degree of creativity. However, GML does require that school districts adopt policies and procedures governing the purchase of goods and services when competitive bidding is not required. Using a request for proposals (RFP) or quote process is an effective way to ensure the District receives services on the most favorable terms or for the best value. Education Law requires school districts to use an RFP process for their external auditor at least once every five years. Prudent business practices provide that written agreements for professional services be entered into to provide a clear understanding of the services to be provided and the compensation for those services.

The Board adopted a purchasing policy in 2008. In addition, the Board developed procedures that supplement this policy and provide guidance on procurement methods for purchases that do not require competitive bidding, including the identification of specific dollar thresholds when quotes should be obtained. However, the procedures do not give guidance for the procurement of professional services.

We judgmentally selected five professionals who provided services to the District totaling \$385,315 and determined that District officials did not solicit competition when procuring services totaling \$363,815, including \$166,645 for insurance, \$121,022 for architect services,¹ \$44,586 for attorney services, \$21,500 for external audit services and \$10,062 for internal audit services. Further, District officials did use an RFP process four years ago, as required by law, for three years of external audit services, but did not use an RFP process for the last year of services. Although District officials entered into written agreements with four of the professionals for services totaling \$340,729 and paid the agreed upon rates, they did not enter into a written agreement for the attorney's services of \$44,586.

The failure to use competitive methods increases the possibility that professional services procured may not be of the maximum quality, and acquired in the most economical manner, in the best interests of residents and without favoritism, waste or fraud. Without a written agreement, if a disagreement arises regarding level of services expected or basis of compensation, among other issues, the District has limited legal protection.

Competitive Quotes

The District's purchasing policy requires two written quotes for purchase contracts between \$2,000 and \$5,000 and three written quotes for purchase contracts between \$5,001 and \$19,999. The policy also requires two written quotes for public works contracts between \$2,000 and \$7,000 and three written quotes for public works contracts between \$7,001 and \$34,999. The policy also allows the District to participate in cooperative bidding with other governmental entities, such as Boards of Cooperative Educational Services (BOCES), in lieu of obtaining quotes or to make purchases using contracts awarded by the New York State Office of General Services (OGS). Another exemption from the required quotations is purchasing from sole source vendors, where there is no possibility of competition. However, District officials must retain supporting documentation to indicate proof of the sole source justification. The policy also requires all written quotes to be submitted to the purchasing agent with the requisition and retained with the purchase records.

¹ The architect services contract is \$1,047,000, of which \$121,022 was paid during our audit period.

We reviewed 20 contracts totaling \$85,188² that were subject to written quotes. District officials did not comply with the policy for 11 purchases totaling \$49,250, including eight purchases totaling \$34,979³ that had no evidence that quotes were obtained. In addition, District officials purchased carpet for \$6,140 and indicated that the purchase was from OGS contract. However, the OGS contract had expired and, therefore, District officials should have sought the required quotes. District officials obtained two quotes for a lift repair costing \$5,536; however, the policy required three quotes. Finally, the District hired a landscaper to install a pitcher's mound for \$2,595 and indicated that this was a sole source purchase. We found other vendors that provide this service, and, therefore, it is not a sole source purchase and officials should have sought competition.

Although the purchasing agent did not have the required quotes, we reached out the department heads who initiated the purchases. The transportation supervisor and athletic director told us they did obtain some quotes; however, they were not able to produce them for all of the reviewed purchases.

Without adherence to policies and procedures, District officials cannot be sure they are securing goods and services of the maximum quality, in the most economical manner, in the best interests of the residents and without favoritism, waste or fraud.

Competitive Bids

GML requires school districts to solicit competitive bids for purchase contracts that equal or aggregate to more than \$20,000 and public works contracts that equal or aggregate to more than \$35,000. After publicly advertising for sealed bids, contracts should be awarded to the lowest responsible bidder. The District's adopted purchasing policy requires District staff to competitively bid purchases based on established GML thresholds. The policy also allows purchases to be made using contracts awarded by BOCES, the federal government, counties or OGS, or when making emergency purchases.

We reviewed five purchases totaling \$261,338 and found that District officials complied with competitive bidding requirements. District officials competitively bid and selected the lowest bidder for tennis

² Three purchases of custodial supplies \$14,632, two purchases of laundry services \$14,285, carpet \$6,140, ice melt \$5,889, lift repairs \$5,536, elevator maintenance \$4,842, window shades \$4,560, fire alarm testing \$4,200, bus tires \$4,189, furniture \$3,585, tree maintenance \$3,250, gate and installation \$3,125, two purchases of glass and installation \$2,999, bus lubricants \$2,986, pitcher's mound \$2,595 and a charter bus \$2,375.

³ Laundry services \$14,285, window shades \$4,560, bus tires \$4,189, furniture \$3,585, two purchase of glass and installation \$2,999, bus lubricants \$2,986 and a charter bus \$2,375.

court renovations costing \$42,600 and a tractor costing \$27,652. District officials also purchased locksets costing \$54,156 from a federal contract and paving costing \$54,965 from a County contract. In addition, District officials paid \$81,965 for emergency repairs to a school building.

The effective use of competition helps to ensure the District is getting the best quality at the lowest possible price and assures residents that public moneys are spent in a prudent and economical manner.

The Board ensured compliance with competitive bidding requirements. However, the Board failed to establish a competitive process for procuring professional services and did not ensure compliance with its established policy to obtain written quotes for purchases under bidding thresholds. The Board also did not ensure District officials entered into an agreement for attorney services. As a result, there is no assurance that certain goods and services were procured in the most economical way and in the best interests of the residents, or that there was agreement as to attorney's services and compensation.

Recommendations

The Board should:

1. Revise the purchasing policy to ensure that it provides guidance for soliciting competition when procuring professional services.
2. Enter into written agreements with all professionals.
3. Ensure that quotes are submitted to the purchasing agent with requisitions and retained with the purchasing records.

District officials should:

4. Obtain supporting documentation for purchases made from contracts and sole sources.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

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July 12, 2016

Ms. Ann Singer, Chief Examiner
Office of the State Comptroller
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Binghamton, NY 13901-4417

RE: NYS OSC Report No. 2016M-182, Procurement

Dear Ms. Singer:

I acknowledge receipt of a draft copy of the NYS Comptroller's audit on purchasing practices for the period July 1, 2014 through December 31, 2015. The required corrective action plan will be forwarded under separate cover.

The Board of Education and the current administration strive to safeguard the financial integrity of the district and to make the most economical use of taxpayer monies. The district's administrative team collaboratively works with the district's external and internal auditors to identify weaknesses and implement change as appropriate. It is the district's intention to adhere to the new purchasing policy adopted in January 2016 to address many of the concerns identified in your report, <http://www.westhillschools.org/tfiles/folder1137/5410.pdf>.

Sincerely,
WESTHILL CENTRAL SCHOOL DISTRICT

Casey W. Barduhn
Superintendent of Schools

"Westhill . . . Where Educational Excellence is a Tradition"
www.westhillschools.org

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials and employees involved in the procurement process.
- We reviewed the District's purchasing policy and procedures and evaluated their adequacy.
- We judgmentally selected five professionals who were paid more than \$10,000 based on vendor names and dollar amounts with no expectation we would find more or fewer errors. We reviewed claim packets and other supporting documents to determine if competition was solicited, written agreements were awarded and professionals were compensated at agreed-upon rates.
- We judgmentally selected 20 purchases that were subject to written quotes based on vendor names and dollar amounts with no expectation we would find more or fewer errors. We reviewed claim packets and other supporting documents to determine if officials complied with the purchasing policy.
- We judgmentally selected five purchases that were above the competitive bid threshold based on vendor name and dollar amount, with no expectation we would find more or fewer errors. We reviewed claim packets and other supporting documents to determine if officials complied with GML and the purchasing 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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