

# Cincinnatus Central School District

## Procurement

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OCTOBER 2021

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

# Contents

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<b>Report Highlights</b> . . . . .	<b>1</b>
<b>Procurement</b> . . . . .	<b>2</b>
How Should Officials Procure Goods and Services Not Subject to Competitive Bidding Requirements? . . . . .	2
Officials Did Not Always Seek Competition When Procuring Goods and Services . . . . .	2
What Do We Recommend? . . . . .	4
<b>Appendix A – Response From District Officials</b> . . . . .	<b>5</b>
<b>Appendix B – Audit Methodology and Standards</b> . . . . .	<b>7</b>
<b>Appendix C – Resources and Services</b> . . . . .	<b>9</b>

# Report Highlights

## Cincinnati Central School District

### Audit Objective

Determine whether Cincinnati Central School District (District) officials sought competition to procure goods and services not subject to competitive bidding requirements.

### Key Findings

District officials did not always seek competition to procure goods and services not subject to competitive bidding requirements. As a result, goods and services may not have been procured in a manner that ensured the economical use of public funds. Officials did not:

- Periodically seek competition for nine of 11 professional service providers paid \$262,862 during the 17-month audit period. Except for their CPA firm, officials used these 10 professional service providers on average for 11 years each, including a legal firm used for 23 years, without seeking any competition to confirm the rates paid were reasonable.
- Seek competition for textbook purchases totaling \$18,997.

### Key Recommendations

- Update the procurement policy and related procedures to include guidance for procuring goods and services not subject to competitive bidding.
- Comply with all District procurement policies and procedures.

District officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

### Background

The District, located in Cortland County, is governed by an elected seven-member Board of Education (Board) who serve three-year terms.

The Superintendent of Schools (Superintendent) is responsible, along with other administrative staff, for managing day-to-day operations under the Board's direction.

The business official is the Board-appointed purchasing agent, responsible for supervision of purchasing activities, including cooperative bidding and purchasing agreements on behalf of the District.

#### Quick Facts

<b>Expenditures for Goods and Services Made in 2019-2020</b>	\$3.8 million
<b>Average Years Without Seeking Competition for Professional Services</b>	11

### Audit Period

July 1, 2019 – November 30, 2020

# Procurement

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## **How Should Officials Procure Goods and Services Not Subject to Competitive Bidding Requirements?**

Districts are required to adopt written policies and procedures governing the purchase of goods and services not subject to competitive bidding requirements. Goods and services must be procured in a manner that ensures the prudent and economical use of public funds in the taxpayers' best interest and to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost or best value basis.

Using a request for proposal (RFP) process or obtaining written quotes are effective ways to ensure that services are obtained with the most favorable terms and best value. An RFP is a document that provides detailed information concerning the type of service to be provided, including minimum requirements and, where applicable, the evaluation criteria that will govern the contract award. Generally, there are no set rules regarding the frequency of RFPs or written quotes. However, district policy should establish reasonable intervals to solicit proposals or written quotes, such as every three to five years, to ensure services are being procured at a favorable rate. Under certain circumstances, officials may determine that seeking competition would not be in a district's best interest. A board should specifically define these exceptions in a district's policies and procedures and ensure that they are justified in the public interest.

## **Officials Did Not Always Seek Competition When Procuring Goods and Services**

The District's policy states that the Board is responsible for ensuring procedures for the procurement of goods or services not subject to competitive bidding thresholds are developed. Although the policy requires the use of an RFP process when procuring professional services, it did not adequately address the procurement of goods and services below the competitive bidding thresholds or set forth any exceptions or allowances for not seeking competition. Instead, the Board relied on the business official to determine what procedures to use, such as written or verbal quotes, and when to require them.

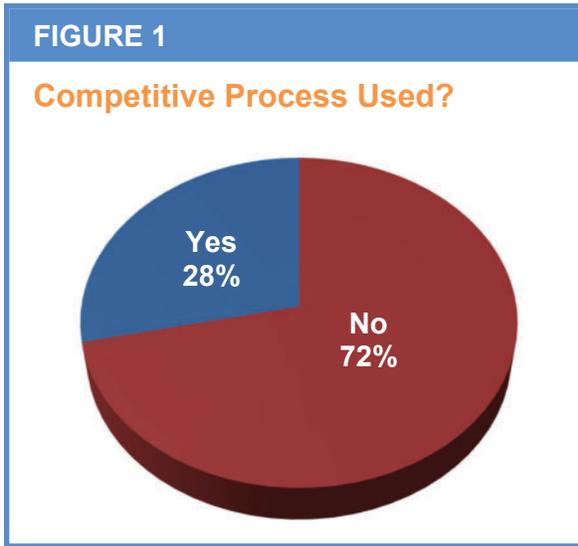
As a result, officials did not always seek competition when procuring goods and services not subject to competitive bidding requirements. We found a competitive process was not used for expenditures totaling \$281,859 out of \$393,815

expenditures tested (72 percent) as shown in Figure 1.

Professional Services

– Officials did not seek competition for nine of the 11 professional service providers reviewed, totaling \$262,862. The District paid the 11 professional service providers a total of \$286,361 during the audit period. The payments included:

- \$81,730 for occupational therapists,
- \$14,332 for legal services,
- \$29,007 for accounting (auditors) and fiscal services,
- \$14,649 for architectural services, and
- \$146,643 for insurance broker fees.



We determined that except for the auditors, the District has used these professional service providers on average for approximately 11 years without seeking competition, with six of the 11 providers being used for more than 10 years. For example, the District has used the same legal firm for 23 years without officials seeking any competition to confirm the rates paid were reasonable.

The business official told us that the District utilized an RFP process for their auditors every five years as required by law; otherwise, they used RFPs at their discretion. While District policy states that the District will use an RFP process when procuring professional services, it does not state how often RFPs should be sought and the District does not have a process to periodically review their professional service providers. Without adequate written guidance, the business official did not ensure that professional services were procured using a competitive process. When asked why the District had elected to not confirm they were paying the best price, the business official stated that the District valued continuity with their professional service providers, most of which had been with the District for many years.

These deficiencies occurred because officials did not ensure District policy was followed requiring RFPs for professional services, and because the Board did not develop formal procedures to procure professional services that were below competitive bidding requirements.

...[T]he District does not have a process to periodically review their professional service providers.

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Purchases Below Bidding Threshold – The business official stated that they relied on their experience to generally require written quotes for individual purchases greater than \$5,000, but below the competitive bidding thresholds. Therefore, we reviewed 13 purchases made during the audit period that were over \$5,000 and under the bidding threshold totaling \$107,453 and found officials did not obtain quotes for textbook purchases totaling \$18,997.

The lack of formal procedures prevented officials and employees from having clear guidance on steps to be taken when making purchases below competitive bidding thresholds. As a result, they cannot ensure purchases were procured in the most economical way and in the best interest of taxpayers.

### **What Do We Recommend?**

The Board should:

1. Update the procurement policy and related procedures to include detailed guidance for procuring goods and services not subject to competitive bidding requirements

District officials should:

2. Comply with all Board-adopted policies and procedures.

# Appendix A: Response From District Officials

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Todd M. Freeman  
Superintendent of Schools

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RE: Cincinnatus Central School District  
Procurement  
2021M-111 Audit - Response and Corrective Action Plan

To Whom It May Concern,

The Cincinnatus Central School District is in receipt of the draft report of the NYS Office of the State Comptroller's (OSC) audit entitled Procurement, for the period covering July 1, 2019 - November 30, 2020. The members of our School Board are aware of the contents of this letter and approved the contents therein. Additionally, a copy of this plan has been sent electronically to the NYS Education Department via NYSED portal and to OSC at [caps@osc.state.ny.us](mailto:caps@osc.state.ny.us).

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

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**Recommendation # 1: Update the procurement policy and related procedures to include guidance for procuring goods and services not subject to competitive bidding.**

We agree with this recommendation, in part. As a matter of fact, based upon preliminary findings in the audit process, our BOE Policy Committee has reviewed policy: 5410 Competitive Bidding and Offering. Our policy committee has drafted specific language for Purchases of Equipment and Supplies as well as Public Work Contracts/Bids and Services not covered with a BOCES/State contract.

We will issue Requests for Proposal (RFP) for our professional services for legal service and insurance broker fees prior to renewal, which will be prior to June 1, 2022.

In regards to the contract with the occupational therapist, we were happy with the service that was provided by her when she was a contract employee with Guthrie Medical Center. For her years of service, we were contracted to pay Guthrie \$73,490. When that contract was not renewed by Guthrie, we were able to enter into a private contract for \$77,500, only costing an additional \$4,010.

**Recommendation # 2: Comply with all District Procurement policies and procedures.**

We agree with this recommendation. As a matter of fact, based upon preliminary findings in the audit process, our BOE Policy Committee has reviewed policy 5411 Procurement of Goods and Services. We have also developed a written process that supervisors will use when making purchasing decisions (Procurement Procedure as Appendix A).

Again, we recognize the receipt of the OSC audit entitled Procurement for the period covering July 1, 2019 - November 30, 2020, respect the value of the report, and take very seriously the responsibility of making adjustments to our policy and practices.

Respectfully,

Todd M. Freeman  
Superintendent of Schools

## Appendix B: Audit Methodology and Standards

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We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed the District's Board minutes, policies and procedures to gain an understanding of the District's procurement practices and to determine whether they included guidance for purchases not subject to competitive bidding requirements.
- We obtained written representations from Board members, key District officials and employees involved in the procurement process regarding their outside business interests. We compared the disclosures to cash disbursements records during the audit period and utilized an internet search engine to determine whether any District financial transactions conflicted with key decision makers' outside business interests.
- We reviewed cash disbursement data for our audit period and using our professional judgement, we selected a sample of 11 professional service providers paid a total of \$286,361 during the audit period that had greater than \$2,500 in expenditures over the course of a school year. We reviewed whether documentation was available to determine if District officials sought competition. We reviewed contracts or rate sheets, if any, to determine whether payments were correct and for District purposes. For those services where the District did not seek competition, we asked officials why they did not do so, and determined how long they had been using the professional service providers.
- We reviewed cash disbursement data for our audit period and excluded payments designated as payroll, to other municipalities, utilities, professional services and individuals. We then removed purchases less than \$5,000 or more than \$20,000. We selected a sample of 13 vendors paid \$107,453 to determine whether District officials obtained quotes or used an acceptable alternative purchasing method and whether payments were for proper District purposes. If quotes were not present, we asked District officials why.
- We reviewed cash disbursement data for our audit period and identified four vendors paid a total of \$227,136 that were potentially subject to competitive bidding requirements. Using our professional judgment, we selected seven purchases from two of these four vendors for a total of \$148,167 to determine whether District officials solicited bids and whether payments were correct and for proper District purposes. For those services where the District did not solicit bids, we reviewed documentation and determined whether an acceptable alternative purchasing method was used.

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- We reviewed cash disbursement data for our audit period and selected all months during the scope for testing of the District's credit card purchases. We tested to see if all purchases made during the scope were for district purposes, had adequate support, and followed the District Credit Card Use policy and procurement policies. We reviewed all related claims and supporting documentation for the 88 purchases totaling \$19,386. In addition, we identified eight items totaling \$1,595 purchased using the credit card that were classified as 'walkable' and had inadequate supporting documentation; we observed them in use at the District.
  - We reviewed cash disbursement data and randomly selected 22 purchases that included an individual's name and were paid a total of \$10,761 during the audit period. We reviewed the claims vouchers and attached documentation to determine whether the purchases were adequately supported and for District purposes.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

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.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. 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. We encourage the Board to make the CAP available for public review in the District Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

<https://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf>

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

<https://www.osc.state.ny.us/local-government/publications>

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

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### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

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### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

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