

Williamson Central School District

Non-Payroll Disbursements

JULY 2021



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

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Report Highlights

Williamson Central School District

Audit Objective

Determine whether Williamson Central School District (District) officials ensured that non-payroll disbursements were appropriately procured, properly audited and approved, adequately supported and for valid District purposes.

Key Findings

The Board did not ensure that non-payroll disbursements were appropriately procured, properly audited and approved, adequately supported and for valid District purposes.

- The claims auditor did not audit and approve claims before payment as required.
- Officials lacked adequate documentation that competitive bids or quotes were obtained or not required for 26 purchase orders totaling \$201,179 and invoices or receipts for \$41,444 on 118 purchase orders.
- District officials did not seek competition or provide documentation to support their verbal assertions that some providers were sole sources for 21 professional service providers paid \$2.6 million.
- The District did not have written agreements with 11 professional service providers paid \$1.5 million.

Key Recommendations

- Ensure claims are audited and approved before payment and adequately supported.
- Ensure documented compliance with competitive bidding statues and the District's policies, regulations and procedures.
- Seek competition for professional services and enter into adequate written agreements with all professional service providers.

District officials generally agreed with our recommendations and indicated they will take corrective action. Appendix B includes our comment on the District's response.

Background

The District serves the Towns of Ontario, Marion, Sodus and Williamson in Wayne County.

The District is governed by an elected five-member Board of Education (Board) responsible for 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 day-to-day operations and management under the Board's direction. The Business Administrator oversees the Business Office including the accounts payable clerk (AP clerk) who is responsible for preparing claims and printing checks. The current Business Administrator started in August 2020. The former Business Administrator served as Treasurer until his retirement when the Board engaged Wayne-Finger Lakes Board of Cooperative Education Services central business office to provide the Treasurer function.

The Board delegated its claims auditing responsibility to a claims auditor. The current claims auditor started in July 2018.

Quick Facts

Disbursements July 1, 2017 - August 21, 2020	
Professional Services	\$14.2 million
Other Non-Payroll	\$31.1 million

Audit Period

July 1, 2017 – March 8, 2021

Non-Payroll Disbursements

How Should District Officials Oversee Disbursements?

A school board is responsible for overseeing a district's financial activities and safeguarding resources. A board is required to audit all claims before they are paid, with limited exceptions, or to appoint a claims auditor to assume the board's powers and duties to examine and approve or disapprove claims. An effective claims audit process subjects every claim to an independent and thorough review to ensure it has adequate supporting documentation, represents actual and necessary expenditures and complies with statutory requirements and district policies. To prevent unauthorized use of electronic signatures, the official with signatory authority should be present, or establish oversight controls over its use, whenever their signature is applied to checks.

School districts are generally required to solicit competitive bids for purchase contracts in excess of \$20,000 and contracts for public work in excess of \$35,000. In lieu of soliciting bids, a district is authorized to make purchases using certain other publicly awarded government contracts, such as those by the New York State (NYS) Office of General Services (State contracts) or certain contracts awarded by other governments. For this exception to apply, the other government contract must be let in a manner consistent with the law and made available for use by other governmental entities. District officials are responsible for reviewing each proposed procurement to determine, on advice of the district's legal counsel as appropriate, whether the procurement falls within the exception. District officials should maintain appropriate documentation to demonstrate that the prerequisites were satisfied to support the decision to use this exception.

A board is required to adopt written policies and procedures governing the procurement of goods and services, such as professional services, that are not subject to competitive bidding requirements, to help ensure the prudent and economical use of public money and help guard against favoritism, improvidence, extravagance, fraud and abuse. In general, the procurement policy should require alternative proposals for goods or services be secured through written requests for proposals (RFPs), written or verbal quotes or any other appropriate method of competitive procurement. The procurement policy may set forth circumstances or types of procurements for which solicitation of alternative proposals will not be in the district's best interest and should describe procedures for maintaining adequate documentation to support and verify the actions taken.

District officials should execute written agreements with all professional service providers to clearly define and communicate the intentions and expectations of both parties including the contract period, the services to be provided, the timetable for completion, the basis for compensation and terms of payment. Written agreements that lack sufficient detail can lead to indecision, disagreements or additional unanticipated costs.

The District's purchasing policy requires two written quotes for purchases between \$5,000 and \$20,000. The District's regulations and procedures, developed to supplement District policy, state that a claim shall be approved by the claims auditor if, in part, it contains the description and price of the items specified, includes an original itemized invoice, a contract is on file to support the amount paid and there is supporting documentation for bids or that the purchasing policy was followed (written or verbal quotes).

The credit card regulations, covering general purpose credit cards and specific business charge accounts, require itemized receipts for credit card purchases. In the absence of a receipt, the employee is required to complete a detailed notarized affidavit regarding the purchase.

The Claims Auditor Did Not Approve Claims Before Payment

Business Office staff did not notify the claims auditor that claims were available for audit until after mailing the checks. As a result, the claims auditor did not audit and approve claims before payment as required. This significantly increased risk because the AP clerk performed most aspects of the purchasing and disbursement processes with limited oversight, prior to audit and approval. The AP clerk:

- Initiated purchases, along with other District staff,
- Was the sole individual with access to make purchases on the District's account with a major online retailer and reconciled these account statements,
- Reconciled credit card statements and store account statements with invoices and receipts,
- Prepared claims – assembled purchase orders, invoices, and other supporting documentation,
- Applied the Treasurer's electronic signature on checks, using a password, without the Treasurer's direct supervision or control and
- Printed checks.

As a result, the claims auditor did not provide the critical oversight of disbursements intended.

We found the claims auditor did audit the claims after they were paid. However, we question the effectiveness of the claims audit process given the lack of documentation available with certain claims that she approved. The claims auditor provided a report of her identified exceptions to the audit committee, but the report did not indicate that the claims were paid before her audit.

During our audit fieldwork, the claims auditor and other staff told us that the claims auditor began auditing and approving claims prior to payment, effective September 2, 2020. However, the claims auditor did not include a date with her initials indicating review on the claims, so we were unable to determine the timing of the claims audit or verify the change in the process.

When disbursements are made before the claims auditor’s audit and approval, there is an increased risk that improper disbursements could be made.

Officials Did Not Maintain Adequate Supporting Documentation for Certain Disbursements

District officials did not ensure that disbursements had adequate supporting documentation and were in compliance with the law and District policy. While the purchasing policy and regulations required two written quotes for certain purchases, they did not explicitly require the quotes to be retained. We found that while purchase orders were generally used in accordance with the policy, there were instances when a claim form was used for vendor purchases instead of a purchase order. The policy and regulations do not describe a claim form or explain when to use this form. Additionally, although these claim forms were approved, they do not provide the same advanced purchase approval as a purchase order. Furthermore, the credit card policy and regulations did not provide clear guidance on specific eligible card uses and did not specifically require compliance with the purchasing policy and regulations.

Of the 55 disbursements tested,¹ comprising 253 purchase orders or claim forms totaling \$3.84 million, we identified 142 purchase orders (56 percent) totaling \$242,623 that lacked adequate supporting documentation such as itemized invoices or receipts (\$41,444), or evidence that officials sought required competition (\$201,179) (two purchase orders had multiple deficiencies):

- 118 purchase orders for purchases made on the District’s credit card (24), major online retail account (93) or a store account (1) did not have a supporting invoice or receipt, or a detailed notarized affidavit, for items totaling \$41,444. Instead of generating and retaining the receipts for purchases from the major online retailer, the AP clerk prepared a list of certain invoice information from the District’s online account to use as support. At times, this list was the only supporting documentation attached to the purchase order, which was not adequate to support the disbursement. Further, the list did not contain the description or quantity of the items ordered. Purchases from these vendors were generally for supplies, books, small office equipment, conference registrations and related travel.

“...[W]e identified 142 purchase orders (56 percent) totaling \$242,623 that lacked adequate supporting documentation....”

¹ See Appendix C Audit Methodology and Standards for details on sample selection.

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- For 15 purchase orders paid through four disbursements totaling \$62,561, the total paid to each vendor exceeded the required quote threshold, and officials did not seek quotes. Officials told us that they did not seek quotes because the individual purchase orders were below the threshold requiring competition. However, officials issued consecutive purchase orders for the same vendor, on the same date for the same product or service, each under the \$5,000 quote requirement. Officials should have considered the total purchase instead of effectively circumventing the policy requirement to obtain quotes by issuing a separate purchase order for each building.
 - 10 purchase orders totaling \$86,645, each over the \$5,000 quote requirement, did not have two required quotes. District officials stated that four purchases totaling \$37,918 were made from sole source vendors. While “sole source” was written on one of these claims, officials did not maintain documentation to support these assertions and we question whether all of these would have been sole sources. These purchases were for metal fabrication of school entrance railings, 3D printer and filaments, a laser cutter/engraver and installation of baseball and softball field sand and infield mix. Officials did not provide an explanation for why they did not seek competition for the remaining six purchase orders.
 - One purchase order totaling \$51,973 for the purchase of a tractor for which District officials did not maintain adequate documentation to show they complied with competitive bidding requirements. Although District officials made the purchase through a group purchasing organization (GPO), they did not provide any GPO bidding documentation. District officials considered this purchase an exemption from competitive bidding. However, the AP clerk was unaware of any formal determination made as to whether this purchase met NYS bidding requirements and officials did not provide adequate documentation to support their exemption classification.

After our review, we informed officials of the disbursements that were missing a vendor invoice or receipt. They subsequently provided additional supporting documentation totaling \$31,383. However, this additional documentation had not been provided to the claims auditor when she reviewed and approved the claims and disbursements totaling \$10,061 remained unsupported. Although most disbursements appeared to be reasonable District expenditures, due to the lack of documentation, we were unable to determine whether all disbursements were for appropriate District purposes.

When disbursements are made without adequate supporting documentation, there is an increased risk the District could incur unnecessary costs or pay for goods and services that were not actually received or were not for proper District purposes.

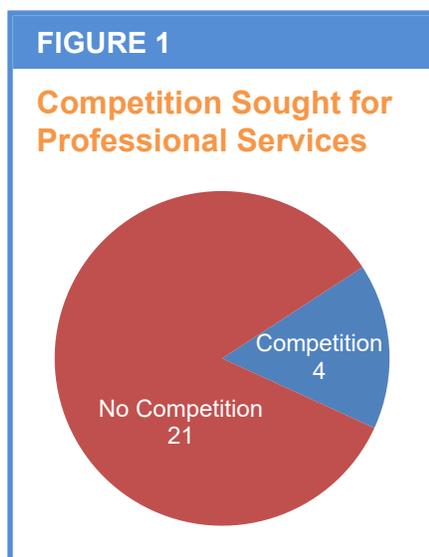
Officials Did Not Always Seek Competition When Procuring Professional Services

The District's purchasing policy and supplemental regulations did not address the procurement of professional services, or provide for the use of RFPs, which are commonly used by municipalities and districts to seek competition for professional services. The policy and regulations do not indicate when, or at what monetary threshold, it is appropriate to use written RFPs, written quotes or verbal quotes. Additionally, they do not outline the specific documentation requirements to be used during the solicitation process, including documentation to support the decisions made. District officials also did not have informal practices to ensure competition was sought for professional services.

Our prior audit² discussed the inadequate guidance and lack of competition sought for professional services. The Board approved a corrective action plan stating the District would revise its policy, regulations and procedures. However, the Board did not amend the policy or ensure officials updated the regulations and procedures to provide requirements or guidelines for obtaining professional services and did not ensure competition was sought.

We reviewed available documentation for 25 professional service providers paid \$14.2 million³ and found that District officials sought competition for four providers paid \$11.4 million. For the remaining 21 providers (84 percent) paid \$2.6 million, District officials did not seek competition or provide documentation to support their verbal assertions that some of the providers were sole sources (Figure 1).

Although District officials provided verbal explanations for not seeking competition for some of the services, they did not document their method or reason for selecting the providers. Further, we question whether certain providers would qualify as a sole source based on the services provided, such as nursing, consulting psychologist, substance abuse prevention education and health management services, for which there likely would have been other providers to be evaluated as possible alternatives.



2 <https://www.osc.state.ny.us/local-government/audits/school-district/2016/06/10/williamson-central-school-district-procurement-professional-services>

3 See Appendix C Audit Methodology and Standards for details on sample selection.

Although competitive bidding is not legally required for professional services and the services procured were for legitimate and appropriate purposes, failure to solicit competition for professional services may result in the District obtaining services without the most favorable terms and conditions, in the best interest of District taxpayers.

Officials Did Not Have Written Agreements With All Professional Service Providers

The Board did not ensure the District had written agreements with all professional service providers even though the lack of adequate written agreements was discussed in our prior audit report. District officials provided written agreements for 14 professional service providers paid \$12.7 million and did not have written agreements for 11 professional service providers (44 percent) paid \$1.5 million (Figure 2).

For each of these 25 providers, we reviewed the invoices for one disbursement and compared services and amounts billed to available agreements to determine whether officials appropriately paid the providers. We found that 12 providers were paid according to the agreements. For one provider disbursement totaling \$17,747, the rates billed were not in accordance with the agreement. We were unable to calculate the total amount of the difference due to the lack of detail in the documentation. Additionally, we were unable to determine whether the remaining provider was paid according to the agreement due to the lack of adequate documentation for the \$8,815 disbursement. We discussed these disbursements with District officials who were unable to provide any additional information or clarification for the rates billed and disbursements made to these providers.

For those service providers without agreements, we found that certain invoices did not contain sufficient detail, such as number of hours worked or hourly rates, to indicate how the provider calculated the total billed. Therefore, District officials did not require detailed bills to offset the lack of an agreement detailing services and compensation.



Without adequate written agreements, the District may not be receiving all of the agreed to services or could pay more for services than intended. Further, officials cannot ensure that they have protections in place to safeguard sensitive and confidential data.

What Do We Recommend?

The Board should:

1. Ensure the claims auditor audits and approves claims before payment and ensures claims have adequate supporting documentation.
2. Ensure officials and staff document compliance with competitive bidding statues and the District's purchasing and credit card policies, regulations and procedures.
3. Revise the purchasing policy and ensure officials update the regulations and procedures to require competition for procuring professional services.
4. Ensure competition is sought for professional services, and documentation is maintained to support the actions taken and determinations made.
5. Enter into adequate written agreements with all professional service providers.

District officials should:

6. Ensure all claims have adequate supporting documentation.
7. Ensure payments are made in accordance with agreements.

The Treasurer should:

8. Provide direct supervision of or establish oversight controls over the use of his electronic signature to be affixed to checks.

Appendix A: Response From District Officials



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June 24, 2021

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On behalf of Williamson Central Schools, I would like to thank the Comptroller's staff for their professionalism and comprehensiveness. We are pleased that there is no evidence of malfeasance or fraud. The District is in agreement with your findings.

We are also pleased that of the more than \$3.8 million of audited non-payroll disbursements, only approximately \$10,000 had deficiencies in their documentation. This converts to an error rate of approximately two tenths of a percent, and none of these disbursements were fraudulent in nature.

See
Note 1
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While NYS law does not require that the District engage in an RFP process for professional services aside from external auditors, and OSC staff acknowledged the discretion of the District to select its professional service providers, we also recognize the importance of keeping formal documentation relative to that decision making process.

Thank you for your time and guidance,

Marygrace Mazzullo
Assistant Superintendent for Instruction
Williamson Central School District
mmazzullo@williamsoncentral.org

Appendix B: OSC Comment on the District's Response

Note 1

We identified many other documentation deficiencies in addition to the claims totaling \$10,061 which lacked a vendor invoice or receipt. For example, officials provided us supporting documentation on our inquiry for other claims totaling \$31,383, which had not been made available to the claims auditor during her review and approval process. Furthermore, we identified claims totaling \$201,179 which lacked evidence that officials sought the required competition.

Appendix C: Audit Methodology and Standards

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 officials and employees and reviewed policies, regulations, procedures and Board and audit committee minutes to gain understanding of the non-payroll disbursement, procurement and claims audit processes.
- We used our professional judgement to select a sample of 55 disbursements comprising 253 purchase orders or claim forms totaling \$3.8 million from the non-payroll, non-professional service disbursements (12 percent of the total \$31.1 million). Disbursements subject to our testing excluded paychecks and disbursements for related withholdings. We also excluded professional services from this testing because we tested them separately. The sample included those that appeared to be subject to competitive bidding or procurement policy requirements (27 disbursements totaling \$3.7 million), purchases made by credit card, from a major online retailer and on store account and a random sample of 20 disbursements.
 - We reviewed Board minutes and supporting documentation (such as vendor invoices, receipts, bids, and quotes) to determine whether they had adequate supporting documentation, were in compliance with the law and District policy, regulations and procedures, were audited prior to payment and were for appropriate District purposes. We followed-up with District officials to discuss disbursements that did not have an original invoice.
- We identified 40 professional service providers paid \$14.22 million from July 1, 2017 to August 21, 2020. Because there was no policy requirement for seeking competition for professional services, we reviewed all professional service providers with expenditures of at least \$5,000 in one year, which aligned with the District's threshold for seeking competition for purchases. For these 25 providers paid \$14.16 million, we reviewed documentation to determine whether the District sought competition or maintained documented explanations for vendor selections. We inquired with District officials for explanations for those services without documentation of competition.
- We reviewed available written agreements for the 25 professional service providers to determine whether the District had written agreements and whether the agreements contained sufficient information (services provided, term, and compensation). We also compared invoices from the most recent disbursement for each provider (as of August 21, 20) to determine whether they were paid in accordance with the agreements or had sufficiently detailed or complex bills (for those without an agreement).

-
- We reviewed the prior Office of the State Comptroller audit recommendations and the District’s corrective action plan compared to current policy and practices to determine whether District officials implemented sufficient corrective action.

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 must be prepared and provided to our office within 90 days, 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. 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 CAP should be posted on the District’s website for public review.

Appendix D: Resources and Services

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

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

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

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

www.osc.state.ny.us/local-government/resources/planning-resources

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

<https://www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf>

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

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

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

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