

Otselic Valley Central School District

Procurement

JULY 2022



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

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Report Highlights

Otselic Valley Central School District

Audit Objective

Determine whether Otselic Valley Central School District (District) officials used a competitive process to procure goods and services not subject to competitive bidding.

Key Findings

District officials did not always seek competition to procure goods and services not subject to competitive bidding.

- Out of nine purchases under the competitive bidding threshold reviewed totaling \$109,671 and two professional service contracts totaling \$35,038, officials did not seek competition for a transportation efficiency study (\$32,500), purchases of ice melt (\$10,845) and information technology equipment (\$8,512), or for the school District's attorney that was paid \$21,038 during our audit period.
- District officials may have saved \$13,781 on fuel costs had they been able to use State contracts.
- Procurement policies and procedures were inadequate and did not help ensure officials sought competition for goods and services.

Key Recommendations

- Update the procurement policy and related procedures to include detailed guidance for procuring goods and services not subject to competitive bidding requirements.
- Periodically compare prices for goods and services to State contracts and contracts bid by other governments.

District officials agreed with our findings and indicated they plan to initiate corrective action.

Background

The District serves the Towns of Lincklaen, Otselic, Pharsalia, Pitcher, Plymouth and Smyrna in Chenango County and Eaton, Georgetown, Lebanon and Nelson in Madison County.

The District is governed by an elected five-member Board of Education (Board) responsible for managing and controlling the financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer and, along with other administrative staff, is responsible for managing day-to-day operations under the Board's direction. The current Superintendent was hired in November 2020.

The Business Official was the purchasing agent until he resigned in January 2021, and the Board subsequently appointed the Treasurer as purchasing agent, responsible for the supervision of purchasing activities, including cooperative bidding and purchasing agreements on the District's behalf.

Quick Facts

Total Paid For the Audit Period:

| | |
|-----------------------|-----------|
| Professional Services | \$35,038 |
| Fuel | \$148,552 |

Total Reviewed For the Audit Period:

| | |
|---|-----------|
| Purchases Under the Competitive Bidding Threshold | \$109,671 |
|---|-----------|

Audit Period

July 1, 2020 – June 30, 2021

Procurement

The Board's procurement policy designated the purchasing agent to be responsible for the general supervision of the purchasing process, including ensuring compliance with Board policy. The District contracts with the Delaware-Chenango-Madison-Otsego (DCMO) Board of Cooperative Educational Services (BOCES) to provide cooperative bidding services (BOCES purchasing service) from which the District can purchase goods and services.

How Should District Officials Seek Competition for Procurement?

School district boards of education (boards) are responsible for ensuring goods and services are procured competitively and in the best interest of taxpayers. New York State General Municipal Law (GML) Section 104-b requires boards to adopt written policies and procedures for procuring good and services that are not subject to competitive bidding, such as purchase contracts of \$20,000 or less, public works contracts of \$35,000 or less and professional services. Other exceptions to competitive bidding requirements include, but are not limited to, emergency purchases, insurance coverage, professional services and purchases made from a legitimate sole source.

When a procurement is not subject to bidding requirements, a school district's procurement policy should provide guidance on obtaining alternate proposals or quotes by using a request for proposals (RFP)¹ process, requesting written or verbal quotes or by using other acceptable methods. The policy also should provide guidelines for staff to help them determine when they should use alternative proposals or quotes.

Using an RFP process to obtain proposals or obtaining written or verbal quotes are effective ways to ensure that a school district acquires goods and services of maximum quality at the lowest possible cost or best value. Professional services generally include services provided by attorneys, engineers and certain other services requiring specialized or technical skills, expertise or knowledge.

Generally, there are no set rules regarding how often to use an RFP process to obtain proposals or obtain quotes. However, a school district's procurement policy should establish reasonable intervals for using an RFP process to obtain proposals or obtaining quotes, such as every three to five years, to ensure school district officials procure services at a favorable price. Furthermore, New York State Education Law Section 2116-a(3)(b) requires school districts to use an RFP process to obtain proposals at least once every five years when contracting for auditing services intended to perform the school districts' annual audits.

...[A] school district's procurement policy should establish reasonable intervals for using an RFP process to obtain proposals or obtaining quotes. ...

¹ An RFP is a document that provides detailed information on the type of service needed and, where applicable, the evaluation criteria used to award the contract.

Instead of seeking competition for goods and services, GML Section 104 authorizes school districts to make purchases using State contracts awarded by the New York State Office of General Services (OGS) or contracts bid by other governments. While purchasing through other government contracts may be advantageous, it does not guarantee a lower price. Therefore, to ensure competition is sought in a reasonable and cost-effective manner, officials could also compare prices to State contracts and other market prices.

Officials Did Not Always Seek Competition When Procuring Goods and Services

The District's procurement policy states that the Board is responsible for ensuring procedures are developed for procuring goods or services that are not subject to competitive bidding thresholds. The policy requires employees to use an RFP process to obtain proposals at least once every five years when procuring independent auditing services.

However, the District's procurement policy and purchasing procedures did not adequately explain how to procure professional services or other goods and services whose costs do not exceed competitive bidding thresholds. They also do not address any exceptions or allowances for not seeking competition. In each of the last two fiscal years, the District's external auditors also commented on the lack of detailed guidance in the District's procurement policy regarding the determination of which dollar thresholds require quotes, how many quotes should be solicited and whether written or verbal quotes are required.

Purchases Under the Competitive Bidding Threshold – We reviewed purchases totaling more than \$5,000, including aggregate amounts of like items purchased from the same vendor, during our audit period to determine whether officials sought competition. We identified nine items purchased, totaling \$109,671,² which exceeded \$5,000 each but did not meet the competitive bidding thresholds. Of these, we determined five purchases totaling \$52,057 were from a sole source vendor (e.g., ongoing monitoring services for the District's alarm system and a service contract for specific elevators installed at the District). For the remaining four items purchased (uniforms, a transportation efficiency study, ice melt and information technology equipment), we found that District officials sought competition for the uniforms (\$5,195) by using the BOCES purchasing service, but they did not seek competition for the transportation efficiency study (\$32,500), ice melt (\$10,845) or information technology equipment (\$8,512).

...[T]he District's procurement policy and purchasing procedures did not adequately explain how to procure professional services or other goods and services whose costs do not exceed competitive bidding thresholds.

² Refer to Appendix B for further information on our sample selection.

Professional Services – We reviewed two professional services (certified public accountant external financial audit and school district attorney) used by the District to determine whether the District sought competition to obtain these services. We found that District officials appropriately sought competition for the external financial audit (\$14,000) but did not seek competition for the attorney that was paid \$21,038 during our audit period.

District officials stated that they were unaware that the District’s policy was lacking the necessary procedures for procuring goods and services not requiring competitive bidding. Without adequate written guidance on when to seek competition, District officials cannot be assured that purchases are being made in the most prudent and economical manner, without favoritism.

District Officials May Have Saved on Fuel Costs

Officials used the BOCES purchasing service to select a vendor for fuel products. During our audit period, the District paid \$148,552 for diesel, heating oil and unleaded fuel.

We examined the 31 largest disbursements totaling \$144,165 for diesel and heating oil and compared the prices the District paid to the prices for the same products offered through State contracts. We found that the District may have saved \$13,781, or 10 percent, on these purchases if officials were able to use the State contract pricing option for the 31 disbursements (Figure 1).

Figure 1: Potential Fuel Cost Savings in the Sample Reviewed

| Product | Amount Purchased | Cost Savings | Percent Savings |
|---------------|------------------|-----------------|-----------------|
| Diesel | \$38,026 | \$7,981 | 21% |
| Heating Oil | 106,139 | 5,800 | 5% |
| Totals | \$144,165 | \$13,781 | 10% |

To obtain the prices offered through State contracts, District officials would need to file the necessary fuel requirements with OGS before OGS awards its State contracts for fuel. If officials do not file these requirements before OGS awards the State contracts, the District would have to receive an agreement from a State contract vendor to be added to its delivery schedule.

District officials told us they were not aware that the State contract prices were lower and that the District used the BOCES purchasing service to ensure stability in fuel prices for the entire year. Based on our review of fuel invoices, we confirmed that the District paid the same price per gallon for heating oil throughout our audit period. However, the price per gallon the District paid for diesel fluctuated throughout our audit period, although the fluctuations occurred

less frequently than State contract price fluctuations. As a result, the District possibly paid more for fuel than necessary.

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.
2. Update the purchasing procedures to require officials to award purchase contracts not subject to competitive bidding and professional service contracts only after soliciting some form of competition and to periodically seek competition for professional services at reasonable intervals, such as every three to five years.

District officials should:

3. Periodically compare the BOCES purchasing service prices for goods and services to State contracts and contracts bid by other governments.

Appendix A: Response From District Officials



OTSELIC VALLEY CENTRAL SCHOOL

"Educate and inspire every student to achieve excellence"

Georgia Gonzalez, Superintendent of Schools
PO Box 161, 125 County Road 13A • South Otselic, New York 13155-0161
Telephone: 315-653-7218 • Fax: 315-653-7500 • Web Address: www.ovcs.org

June 16, 2022

Office of the State Comptroller
Binghamton Regional Office
44 Hawley Street – Suite 1702
Binghamton, NY 13901-4417

RE: Otselic Valley CSD Response to the Procurement Report of Examination

Ladies and Gentlemen:

The Otselic Valley Central School District thanks the Office of the State Comptroller for their efforts in conducting an examination with professional and courteous execution of their duties during the course of the audit. This letter serves as both the response to the Report of Examination and provides the Corrective Action Plan associated with the recommendations contained therein. Attached is the District's Corrective Action Plan in response to the following audit report issued by your office:

- **Procurement 2022M-58**

The district understands the findings that indicate the board did not always use a competitive process to procure goods and services not subject to competitive bidding. We understand and agree with the recommendations for the Board of Education to update the procurement policy and related procedures to include detailed guidance for procuring goods and services not subject to the competitive bidding requirements and periodically comparing prices for goods and services to State contracts and contracts bid by other governments.

We appreciate your staffs' constructive comments and the opportunity for us to outline our specific plan in response to the recommendations made by your office.

Sincerely,

Dr. Georgia Gonzalez
Superintendent of Schools

"We aspire to be a model school that empowers all students to realize their unlimited potential."



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CORRECTIVE ACTION PLAN

Recommendation #1 – Update procurement policy and related procedures

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

Implementation Plan of Action(s):

The district is currently reviewing all policies, many of which have not been updated for several years. We reached the 6000 series in our policies which pertain to procurement and related policies. We expect to review these policies in the months of June, July, August and September and will update our policies to more specifically detail the dollar thresholds for procuring goods and services not subject to competitive bidding. The Board will review the purchasing policy and determine the dollar threshold which requires quotes, how many quotes should be solicited, and when written or verbal quotes are required. The Board will also review the General Municipal Law and Uniform Guidance to ensure the updates follow applicable requirements.

Implementation Date:

October 30, 2022

Person Responsible for Implementation:

Board of Education, Finance Committee, Superintendent of Schools, Treasurer

Recommendation #2 – Seek competition

Update procurement policy and related procedures to include detailed guidance for seeking competition for goods and services not subject to competitive bidding requirements.

Implementation Plan of Action(s):

We have revised the policy to include smaller thresholds at which verbal and written quotes are required when competitive bidding is not required. The Board will also review the General Municipal Law and Uniform Guidance to ensure the updates follow applicable requirements. The treasurer is to ensure the policy is followed by obtaining documentation for the appropriate number of verbal and written quotes based on the dollar threshold.

Implementation Date:

October 30, 2022

Person Responsible for Implementation:

Board of Education, Finance Committee, Superintendent of Schools, Treasurer

Recommendation #3 – Compare Prices

Periodically compare prices for goods and services to State contracts and contracts bid by other governments.

Implementation Plan of Action(s):

"We aspire to be a model school that empowers all students to realize their unlimited potential."



OTSELIC VALLEY CENTRAL SCHOOL

"Educate and inspire every student to achieve excellence"

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The district will compare the BOCES purchasing service prices for goods and services to State contracts and contracts bid by other governments at least once a year. Documentation regarding the comparison will be made and kept with the treasurer for ongoing comparing analysis.

Implementation Date:

November 30, 2022

Person Responsible for Implementation:

Board of Education, Superintendent of Schools, Treasurer

Sincerely,

Dr. Georgia Gonzalez
Superintendent of Schools

"We aspire to be a model school that empowers all students to realize their unlimited potential."

Appendix B: 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 District officials and employees and reviewed Board meeting minutes and the procurement policy to gain an understanding of purchasing procedures and requirements, and to determine whether they sufficiently addressed the competitive procurement of goods and services.
- We totaled amounts paid to each vendor during the audit period and used our professional judgment to exclude vendors paid less than \$5,000 in order to focus on larger disbursements. We also excluded payments to BOCES and other school districts and for payroll-related expenditures, reimbursements and utilities. We reviewed the remaining purchases, including aggregate amounts of like items purchased from the same vendor and identified nine items totaling \$109,671 that were below the competitive bidding thresholds. We also identified two professional service contracts totaling \$35,038. We reviewed supporting documentation for these purchases to determine whether District officials sought competition.
- The District paid 36 invoices totaling \$148,552 for fuel products during our audit period. We used our professional judgment to review the 31 largest fuel invoices totaling \$144,165 for diesel and heating oil and compared the prices that the District paid to State contract prices to determine whether District officials may have achieved cost savings.

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 C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

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

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

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

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

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

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