



Heuvelton Central School District

Procurement

2023M-55 | July 2023

Contents

- Report Highlights 1**

- Procurement 2**
 - How Should a School District Procure Goods and Services? 2

 - Officials Complied with Competitive Bidding Requirements for 14
of the 16 Vendors Tested 3

 - Officials Did Not Always Seek Competition for Professional
Services and Insurance Coverage. 4

 - Required Quotes Were Not Always Obtained 5

 - What Do We Recommend? 7

- Appendix A – Response From District Officials 8**

- Appendix B – Audit Methodology and Standards 10**

- Appendix C – Resources and Services 12**

Report Highlights

Heuvelton Central School District

Audit Objective

Determine whether Heuvelton Central School District (District) officials procured goods and services in accordance with the Board of Education's (Board) policies and applicable statutory requirements.

Key Findings

District officials did not always comply with statutory requirements and the District's procurement policy by seeking competition for the purchases of goods and services. As a result, they are unable to assure taxpayers that the District is procuring goods and services in the most prudent and economical manner.

Officials:

- Could not support they used competition, as required, to make purchases totaling \$189,497.
- Did not seek competition when procuring professional services and insurance coverage from 10 vendors totaling \$310,212. They also did not have written agreements with four of these vendors.

Key Recommendations

- Document compliance with competitive bidding requirements and the procurement policy.
- Periodically use requests for proposals (RFPs) when seeking professional services and establish written agreements with all providers.

District officials agreed with our recommendations and have initiated, or indicated they would initiate, corrective action.

Background

The District serves the Towns of Canton, Dekalb, DePeyster, Lisbon, Macomb and Oswegatchie in St. Lawrence County.

The District is governed by an elected seven-member Board. The Board is responsible for the District's educational and financial affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for day-to-day operations.

The Business Manager is a St. Lawrence-Lewis Board of Cooperative Educational Services (BOCES) employee, and is the Board-appointed purchasing agent, responsible for overseeing the District's purchasing activities.

Quick Facts

July 1, 2021 – October 31, 2022

Procurements Reviewed Subject to Competitive Bidding	\$1.2 million
Payments to Professional Service Providers Reviewed	\$335,712
Procurements Reviewed Subject to Quotes	\$197,028

Audit Period

July 1, 2021 – February 9, 2023

Procurement

How Should a School District Procure Goods and Services?

School district officials generally must advertise for competitive bids when procurements exceed certain dollar thresholds, as required by New York State General Municipal Law (GML), Section 103. School district officials are generally required to solicit competitive bids for purchase contracts more than \$20,000 and contracts for public works more than \$35,000.

School district officials also must determine whether individual or repetitive purchases (e.g., types of furniture) will exceed the dollar threshold for bidding when combined over a 12-month period. In lieu of soliciting competitive bids, a school district is authorized to make purchases using contracts awarded by the New York State Office of General Services (State contracts) or certain contracts bid by other governments. For this exception to apply, the other government contract must be let in a manner consistent with New York State laws and made available for use by other governmental entities.

In addition, the board and school district officials must adopt written policies and procedures for procuring goods and services not subject to competitive bidding requirements, such as professional services that generally require specialized skills, training and expertise; use of professional judgment; and/or a high degree of creativity, insurance coverage and procurements below the bidding thresholds. Such policies and procedures should help ensure the prudent and economical use of public money, and help guard against favoritism, extravagance, fraud and abuse. For example, professional services can include legal, medical, auditing, architectural and consulting services. Using competitive methods, such as a request for proposals (RFP) process, or requesting written or verbal quotes, are effective ways to help ensure that quality goods and services are obtained at a reasonable cost and in the taxpayers' best interest.¹

School district officials should enter into written agreements with professional service providers to provide both parties with a clear understanding of the services to be provided and the time frames and basis for compensation.

Officials should also comply with the District's procurement policy and regulation (policy) that states the District may use an RFP process for securing services, supplies or equipment consistent with District policy. The process should include, but not be limited to, the development of specifications designed to ensure the successful proposer's ability to perform the proposed contract; appropriate advertisement or solicitation of proposals; a review and evaluation of each

School district officials generally must advertise for competitive bids when procurements exceed certain dollar thresholds. ...

¹ Refer to our publication *Seeking Competition in Procurement* available on our website at www.osc.state.ny.us/localgov/pubs/lmgm/seekingcompetition.pdf.

proposal and Board approval of the contracts awarded. The policy requires the purchasing agent to obtain:

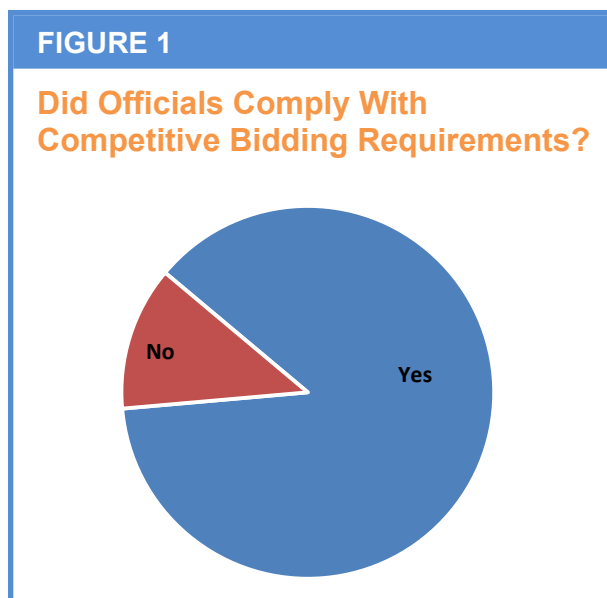
- Three formal proposals or quotes for purchase contracts between \$5,001 and \$20,000;
- Three written quotes for public works contracts between \$5,001 and \$20,000; and
- Three proposals or quotes for public works contracts between \$20,000 and \$35,000.

The policy also requires District officials to adequately document their actions taken with each method of procurement and requires officials to justify and document any contract awarded to other than the lowest quoted vendor, stating the reason. As such, the policy requires District officials to use an internal form to document the proposals or quotes solicited from vendors which include the vendor’s name, date and amount. In addition, the form requires officials to document the reason for not selecting the lowest vendor quote, or the reason for not obtaining bids or quotes (sole source vendor, emergency, State contract or BOCES bid). Officials must submit the form with the requisition to the purchasing agent for approval.

Officials Complied with Competitive Bidding Requirements for 14 of the 16 Vendors Tested

We reviewed a sample of 16 vendors with payments totaling \$1.24 million that were above competitive bidding thresholds to determine whether officials sought competition. District officials sought competition or made purchases through other legally permissible sources for goods and services totaling \$1.16 million. However, District officials could not support they complied with competitive bidding requirements for purchases made from two vendors totaling \$84,312 (Figure 1).

- The District paid one vendor a total of \$46,355 for maintenance of the heating, ventilation and air conditioning (HVAC) system. The Business Manager told us because the vendor installed the HVAC system at the District, they



believed it was more efficient to retain the same vendor for maintaining the system and did not seek competition. Because District officials did not seek competition from other potential vendors, officials cannot assure taxpayers they procured these services at the best price.

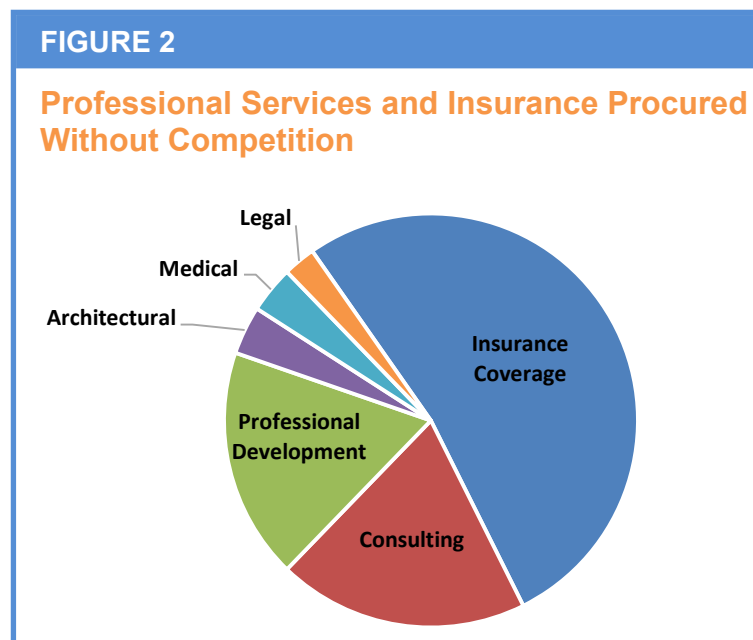
- The District did not seek competition for aggregate purchases of various comparable furniture items from one vendor totaling \$37,957. The Business Manager told us they believed these purchases were made pursuant to a State contract referenced in a quote provided by the vendor. However, the contract referenced was for art supplies, not the furniture purchased. In addition, while this vendor had been awarded a State contract for furniture, the furniture purchased was not listed on that contract.

The Business Manager told us they did not confirm the furniture was on State contract and that there are no procedures in place to verify that purchases assumed to be under State and other government contracts are in fact on awarded contracts. In addition, there are no procedures in place to ensure like-kind items were aggregated when determining the appropriate procurement method. When District officials do not ensure that all applicable laws are followed, they are unable to assure taxpayers that the District is procuring goods and services in the most prudent and economical manner.

Officials Did Not Always Seek Competition for Professional Services and Insurance Coverage

We reviewed the procurement of professional services and insurance coverage from 12 providers who were paid a total of \$335,712 from July 1, 2021 through October 31, 2022.

District officials issued RFPs prior to selecting the District's external auditor and a professional development service provider. However, District officials did not seek competition by issuing RFPs for the professional services and insurance coverage provided by 10 providers who were paid a total of \$310,212 (92 percent) (Figure 2).



The Superintendent and Business Manager told us they issued RFPs for the medical, legal and architectural service providers in the past but did not know when the last RFP was completed for these services. In addition, they indicated the District has had longstanding relationships with the insurance coverage provider and the medical, legal, architectural and financial consultant service providers, and officials were satisfied with the providers. However, soliciting professional services or insurance coverage through RFPs can help provide assurance that quality services are obtained under the most favorable terms and conditions possible and without favoritism. Furthermore, using RFPs can increase District officials' awareness of other service providers who could offer similar services at a more favorable cost.

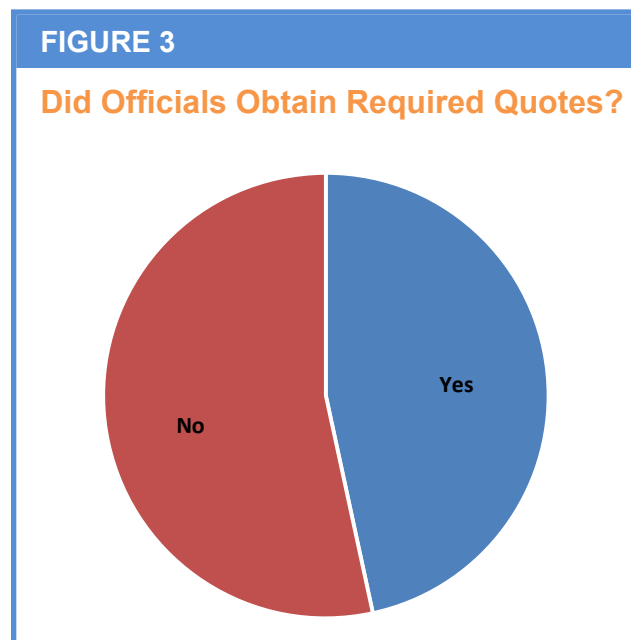
In addition, the District did not have a current written agreement for four of the 12 professional service providers, who were paid a total of \$48,950. The providers included three consultants (combined total of \$41,155) and a legal service provider (\$7,795). As a result, we were unable to determine the accuracy of payments made to these providers during the audit period. The payments to the remaining providers were made in accordance with current written agreements.

A written agreement is essential to provide both parties with a clear understanding of the services to be provided, the time frames and the basis for compensation. Without a current agreement, there is a greater risk that the District will pay for services that it has not received or for services that do not comply with agreed-upon conditions and rates.

[T]he District did not have a current written agreement for four of the 12 professional service providers, who were paid a total of \$48,950.

Required Quotes Were Not Always Obtained

We reviewed purchases from 19 vendors who were paid a total of \$197,028 to determine whether officials obtained written quotes, as required by the District's policy. Although all the payments were for appropriate purposes, officials did not obtain quotes or provide appropriate documentation showing an alternative method of procurement or other exceptions applied (e.g., sole source, piggybacking on a State or other government contract) for payments to nine vendors totaling \$105,185 (53 percent) (Figure 3).



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- Four vendors were paid a combined total of \$60,423 for trash removal services, screening equipment, educational building kits and textbooks. The Superintendent and Business Manager told us that the vendors were sole source providers. However, officials could not support that no competition was available for these goods and services and they were only available from a single provider.
 - Two vendors were paid a combined total of \$27,420 for the purchase and installation of lockers and music equipment. Although the Business Manager told us these purchases were made on local government contracts from other municipalities, he could not provide documentation showing the goods and services were covered under the awarded contracts.
 - Two vendors were paid a combined total of \$10,525 for graphing calculators and custom designed t-shirts for a school project. The Business Manager could not explain why officials did not obtain quotes and agreed that officials should have done so.
 - In addition, one vendor was paid \$6,817 for business and cellular phone service. The Business Manager and Superintendent told us they used other service providers for this service in the past, but this vendor provided the best quality of service to meet the District's needs. However, officials could not support this statement and did not obtain proposals or quotes from other potential vendors to compare available services and costs to help ensure this was the most cost-effective option.

Although the policy requires District officials to use an internal form to document proposals and quotes received or to document the reason for not obtaining bids or quotes, they did not use the form. The Business Manager and Superintendent told us they were not aware that the form was a policy requirement. As a result, they did not require its use but required proposals or quotes to be attached to the requisition. Because District officials did not always seek competition or document their decision-making process when they did not seek competition for these purchases, they cannot be sure that the goods and services were procured in the most prudent and economical manner in the taxpayers' best interest.

The remaining purchases requiring quotes totaling \$91,843 we examined that the District paid to 10 vendors adequately showed evidence that District officials used competitive methods to procure the goods and services when needed. Purchases from seven vendors totaling \$55,165 were made under State or BOCES contracts, and District staff obtained written quotes to select two vendors that were paid \$18,312. District officials made the remaining purchases totaling \$18,366 from a valid sole source provider, so they were not required to seek competition.

What Do We Recommend?

The Board and District officials should:

1. Periodically issue RFPs to assess the cost-effectiveness of professional services being used.
2. Ensure written agreements with professional service providers are current and provide both parties with a clear understanding of the services to be provided, the time frames and the basis for compensation.

District officials should:

3. Ensure contracts exceeding the statutory competitive bidding thresholds are executed in accordance with GML.
4. Amend the District's purchasing procedures to include guidance regarding aggregate purchases, such as developing a process to identify when aggregate purchases exceed limits and defining when staff should use competitive bidding for these purchases.
5. Use an RFP or quote process to periodically solicit competition when procuring professional services and insurance coverage.
6. Obtain and document proposals and quotes as required by the policy.
7. Monitor and review all purchases made under State and other government contracts to ensure that purchases are made in accordance with the awarded contract and all items purchased from the vendor are included in the contract.

The Business Manager should:

8. Ensure that the internal form to document proposals and quotes is used as required by the policy and ensure documentation is maintained for vendors who are sole source providers of goods or services.

Appendix A: Response From District Officials



HEUVELTON
CENTRAL SCHOOL DISTRICT

July 17, 2023

Rebecca Wilcox, Chief of Municipal Audits
Office of the State Comptroller
Syracuse Regional Office
State Office Building, Room 409
333 E. Washington Street
Syracuse, NY 13202-1428

Dear Ms. Wilcox,

Heuvelton Central School District is in receipt of the Draft Audit Report for the period of July 1, 2021 to February 9, 2023 relating to Procurement. This also confirms that an exit conference was held June 20, 2023 at 10 AM in the District Office.

The District thanks the Office of the State Comptroller for the time and evaluation of the District's fiscal management. We would like to express our appreciation for the professionalism, thoroughness, and courtesy of the auditors conducting our audit. The audit process was a positive experience and we welcome the opportunity to review and strengthen our financial practices and oversight.

Please allow this letter to serve as the District's response to the Draft Audit findings.

Audit Recommendations:

1. Document compliance with competitive bidding requirements and the procurement policy.
2. Periodically use requests for proposals when seeking professional services and establish written agreements with all providers.

The District will continue to review its procurement policy to ensure that it is being followed. Requisition forms have been updated to include quote requirements for various levels of equipment and supplies purchases. This also includes levels that may require competitive bidding. The District will also use requests for proposals for services periodically to ensure compliance with policy. This will help to ensure the District is receiving the best possible services for our community.



HEUVELTON

CENTRAL SCHOOL DISTRICT

In conclusion, the Heuvelton CSD appreciates and respects the comments and recommendations in the draft report by the staff of the State Comptroller's Office. We continually look for ways to maintain the quality educational programs of our District and to be fiscally responsible to our community.

Sincerely,

Jesse Coburn
Superintendent of Schools

Cc: Michael Robinson, Business Manager
Christopher Riordan, Board of Education President

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, we performed the following audit procedures:

- We interviewed District officials and employees involved in the purchasing process and reviewed Board meeting minutes and relevant laws to gain an understanding of the District's procurement practices and controls.
- We reviewed the Board's adopted procurement policy and guidelines and determined whether they addressed procuring goods and services not subject to competitive bidding.
- We reviewed electronic cash disbursement data from July 1, 2021 through October 31, 2022 to select the population of purchases subject to bids and quotes. To obtain the population, we removed payments designated as payroll, paid to other municipalities and to vendors that did not meet the policy's \$5,000 threshold for obtaining written quotes. We filtered the data, aggregated like-kind purchases by vendor, and identified:
 - Vendors that exceeded the competitive bidding threshold and found 16 vendors paid approximately \$1.2 million. We reviewed the claims to document the goods and services purchased. We also reviewed corresponding purchase documentation and determined whether the District used competitive bidding or an acceptable alternative purchasing method in lieu of competitive bidding.
 - Purchases for payments to 19 vendors totaling \$226,141 that required written quotes. We used our professional judgment to select payments totaling \$197,028 to the 19 vendors with no expectation of more or fewer exceptions. We selected these payments based on the vendor's name, items purchased and amount of the purchase. We reviewed the related purchase orders, invoices and purchasing documentation to determine whether officials obtained quotes in compliance with the District's purchasing guidelines.
- We reviewed relevant contracts, bid lists and quotes for each vendor in our sample selection and determined whether the District paid the contracted or quoted price for the goods and services received.
- To test the procurement of professional services, we reviewed the cash disbursement data to identify vendors that provided professional services. For those vendors we were uncertain about, we spoke with District officials, performed Internet searches of the vendor and/or selected the largest claim paid to the vendor, and reviewed corresponding documentation to determine whether the vendor provided a professional service. We identified 12 professional service providers who were paid \$335,712 from July 1, 2021

through October 31, 2022 and reviewed all the purchases and supporting documentation (as applicable) to determine whether RFPs were issued to procure these services.

- We reviewed all written agreements between the District and each professional service provider to determine whether the District entered into agreements with the providers and whether the agreements were current. We also reviewed payments to each provider during the audit period to assess whether the payments were made in accordance with the agreement (when applicable).

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 2116-1(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 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

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

Local Government and School Accountability Help Line: (866) 321-8503

SYRACUSE REGIONAL OFFICE – Rebecca Wilcox, Chief of Municipal Audits

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