

Oriskany Central School District

Procurement

JULY 2017



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

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Report Highlights

Oriskany Central School District

Audit Objective

Determine whether the procurement of goods and services were appropriate, and were compliant with competitive bid statutes and District policies.

Key Findings

- The District did not seek competition for five professional service contracts totaling \$265,706.
- We examined 73 invoices totaling \$105,728 requiring quotes and found 64 invoices totaling \$44,956 in which no quotes were documented.
- The District generally complied with competitive bidding statutes.

Key Recommendations

- Issue requests for proposals for professional services and obtain quotations for goods and services as required by District policy.
- Ensure District officials adequately document action taken when soliciting proposals and competitive quotes and retain documentation.

District officials generally agreed with our findings and indicated they planned to take corrective action.

Background

The Oriskany Central School District (District) is located in the Towns of Marcy, Whitestown and Floyd and the City of Rome in Oneida County. The seven member Board of Education (Board) is responsible for managing the District's operations. The Superintendent of Schools is responsible for the District's day-to-day management. The District Business Administrator¹ is the purchasing agent and approves all purchases.

Quick Facts

Employees	135
Enrollment	600
2016-17 Budgeted Appropriations	\$14.7 Million
Non-Payroll Payments / Total	1,571 / \$10 Million

Audit Period

July, 1, 2015 - October 28, 2016

¹ The current Business Administrator started in that position on November 2, 2016.

Procurement

How Should a School District Procure Goods and Services?

New York State General Municipal Law (GML) states that goods and services must be procured in a manner to ensure the prudent and economical use of public funds, in the best interest of residents, to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost or best value basis. With certain exceptions,² school districts are generally required to advertise for competitive bids when procurements exceed certain dollar thresholds. Districts must adopt their own policies and procedures for goods and services not required by law to be competitively bid. These procurement policies and procedures provide guidance to district officials and employees involved in the purchasing process and help ensure that competition is sought in a reasonable and cost effective manner when competitive bidding is not required.

The District Did Not Solicit Competition for Professional Services

GML's competitive bidding requirements do not apply to the procurement of professional services that involve a specialized skill, training and expertise; the use of professional judgment or discretion; or a high degree of creativity. In addition, insurance coverage (e.g., health, fire, liability and workers' compensation) is not subject to competitive bidding requirements. However, GML does require school districts to adopt policies and procedures governing the purchase of goods and services when competitive bidding is not required. Written requests for proposals (RFPs) are commonly used to seek competition for professional services and insurance coverage.

The District's policy requires RFPs for professional service contracts (e.g., architects, engineers, accountants, lawyers, underwriters, fiscal consultants, etc.) and written quotations for insurance contracts. RFPs should be sent to professional services providers and include the methods that District officials will use in selecting the service provider.³ District officials may consider the price, any special knowledge or expertise, quality, staffing and suitability of its needs when evaluating RFP responses. District policy also requires the purchasing agent to maintain adequate documentation of RFPs and quotation requests and the related responses.

We reviewed the District's procurement of services from five professional service providers totaling \$266,000. District officials did not provide documentation that they sought competition prior to selecting any of the service providers (Figure 1).

² Purchases made through the New York State Office of General Services, purchases made through certain county and federal contracts, purchases made through the use of certain contracts let by other states or political subdivisions, emergency purchases, professional services and purchases from a legitimate sole source

³ An RFP generally 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.

Figure 1: Professional Services Without Competition

Professional Service	Expenditure
Architects and Engineers	\$115,781
Insurance	\$64,703
Lawyers	\$34,810
Financial Advisor	\$32,297
Auditor	\$18,115
Total	\$265,706

Although we found the services procured were for legitimate and appropriate District purposes, without a competitive process, District officials and the Board do not have assurance that professional services are being procured in the most economical way and in the best interests of residents. District officials told us that they do not routinely solicit proposals and quotations for lawyers and insurance. They said there may have been RFPs issued for the other service providers in previous years, but they could not easily locate them.

Quotations Were Not Always Obtained

The District's purchasing policy requires three written quotations for purchases between \$1,000 and \$20,000 and for public works contracts between \$20,000 and \$35,000. Three verbal quotations are required for public works contracts below \$20,000. The policy also requires employees and officials to retain standard vendor quotation request forms for written quotations and maintain logs for verbal quotations. The purchasing agent is responsible for maintaining a master file of all verbal and written quotations.

We reviewed 28 invoices totaling \$29,202, subject to verbal quotations and found 23 invoices totaling \$22,254 in which the District did not have a log that documented obtaining any quotations. We also reviewed 45 invoices totaling \$76,526, subject to written quotations. Four invoices totaling \$53,824 included written quotations. However, 41 invoices totaling \$22,702,⁴ did not have attached quotations.

Although the invoices examined were for appropriate District purposes and some of the purchases contained quotations, the purchasing agent did not maintain a master file. In addition, employees told us they were unaware of District policies requiring documentation of quotations. Without adherence to policies and procedures, the District risks acquiring goods and services at higher costs than necessary.

⁴ Athletic equipment (\$11,496), propane purchase (\$7,606) and painting and decorating services (\$3,600)

Major Purchases Complied With Competitive Bidding Statutes

GML generally requires school districts to solicit competitive bids for purchase contracts that equal or aggregate to more than \$20,000 and public works contracts that equal or aggregate to more than \$35,000 within a 12-month period. The District's adopted purchasing policy requires employees and officials to competitively bid purchases based on established GML thresholds.

We reviewed 34 payments totaling \$3.2 million and found that the payments reviewed generally complied with competitive bid statutes and were for appropriate District purposes (Figure 2). District officials solicited competitive bids and selected the lowest bidder or used State contracts awarded by the New York State Office of General Services (OGS) for the purchases tested.⁵

Figure 2: Purchases Competitively Bid or on State Contract

Goods or Services	Expenditure
General Contracting Services	\$2,187,768
Electrical Services	\$501,198
Mechanical Services	\$247,020
Plumbing Services	\$156,183
Computer Lab Equipment	\$57,166
Computer Lab Furniture	\$25,976
Total	\$3,175,311

What Do We Recommend?

The Board and purchasing agent should:

1. Ensure that the District issues RFPs for professional services and obtains quotations for insurance and purchases under bidding thresholds, as required by District policy.
2. Ensure District officials and employees adequately document actions taken when soliciting proposals and competitive quotations and retain documentation.

District officials should:

3. Ensure all employees involved in the purchasing process are aware of District policies.

⁵ One of the invoices from a vendor with an OGS contract included chairs costing \$2,325 that were not listed on the State contract.

Appendix A: Response From District Officials



Oriskany Central School District

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RE: Corrective Action Plan (CAP) Submission

Unit Name: *Oriskany Central School District*

Audit Report Titles: Procurement

Audit Report Number: 2017M-087

Person Responsible for Oversight/Implementation: Alicia D. Koster, Interim Superintendent

For each recommendation included in the audit report(s), 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.

I. Audit Key Findings:

- a) The District did not seek competition for five professional service contracts totaling \$265,706.
- b) We examined 73 invoices totaling \$105,728 requiring quotes and found 64 invoices totaling \$44,956 in which no quotes were documented.
- c) The District generally complied with competitive bidding statutes.

II. Audit Recommendations:

1. Issue requests for proposals for professional services and obtain quotations for goods and services as required by District policy.

Shirley M. Burtch, President
Michelle M. Anderson, Robyn C. Appler,

Board of Education

Carl V. Graziadei, Therese M. Hanna, V. President
Adam M. Kernan, Amy L. Mayo



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Implementation Plan of Action(s):

- The Board Policy Committee reviewed and updated the policy regarding purchasing (#4400) and was approved on March 13, 2017 along with administrative regulations and procedures that include, but are not limited to, non-competitive bid procurement procedures that outline the expectations of quotations and documentation required in order to expend District budgetary dollars.
 - The Purchasing Agent reviews all such purchasing requests to ensure compliance with Board Policy, Administrative Regulations, and Procedures. Further, professional services will continue to be analyzed on a cost vs. benefit basis, and the best practice of Request for Proposals once every five years will be followed.
2. Ensure District officials adequately document action taken when soliciting proposals and competitive quotes and retain documentation.

Implementation Plan of Action(s):

- The Board Policy Committee reviewed and updated the policy regarding purchasing (#4400) and was approved on March 13, 2017 along with administrative regulations and procedures that include, but are not limited to, non-competitive bid procurement procedures that outline the expectations of quotations and documentation required in order to expend District budgetary dollars.
 - The Purchasing Agent reviews all such purchasing requests to ensure compliance with Board Policy, Administrative Regulations, and Procedures. Further, a master file will be kept to secure competitive bids, non-competitive bid quotations, and documentation to support Purchasing Agent's review and approval of purchasing requests.
3. Ensure all employees involved in the purchasing process are aware of District policies.

Implementation Plan of Action(s):

- Our Board of Education Policies are visible on our District Website, and employees are and will continue to be reminded to review the policies on, at least, an annual basis.

Board of Education

Shirley M. Burtch, President
Michelle M. Anderson,

Robyn C. Appler, *Carl V. Graziadei,*

Therese M. Hanna, V. President
Adam M. Kernan, *Amy L. Mayo*



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- The Interim Superintendent and Business Office staff are planning to hold a training session for staff to review Board Policies as they pertain to procurement and the expenditure of school district funds. The training will be completed by September 1, 2017.

In summary, we appreciate the work and efforts performed by the Office of the State Comptroller. As a school district, we value the opportunity to continuously refine and improve our practices, and find the insights in the Audit Report helpful.

I hope that our Corrective Action Plan is responsive to the recommendations outlined in our Audit Report(s). If you have any concerns or questions, please feel free to contact me via e-mail at akoster@oriskanycsd.org or via phone at 315.768.2058. Oriskany Central Schools appreciates the thorough work of the auditors and will use the audit report(s) to further strengthen internal controls and enforcement of procedures.

Sincerely,

Alicia D. Koster
Interim Superintendent

Board of Education

Shirley M. Burtch, President
Michelle M. Anderson,

Robyn C. Appler,

Carl V. Graziadei,

Therese M. Hanna, V. President
Adam M. Kernan,

Amy L. Mayo

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 procurement process.
- We reviewed the District's purchasing policy and procedures and evaluated their adequacy.
- We judgmentally selected five vendors based on those that appeared to be for professional services and were for large dollar amounts. We requested and reviewed documentation to determine whether RFPs were issued.
- We judgmentally selected 10 vendors (28 purchases) for public works that required verbal quotations. We selected them based on vendor names and dollar amounts that appear to be public works contracts, with no known biases. We reviewed claim packets and other supporting documents to determine whether officials complied with the purchasing policy.
- We judgmentally selected five vendors (45 invoices) whose aggregate payments were subject to written quotations based on vendor names and dollar amounts, with no known biases. We reviewed claim packets and other supporting documents to determine whether officials complied with the purchasing policy.
- We judgmentally selected the five highest total dollar amount of vendors whose aggregate payments exceeded the bidding threshold. We reviewed bid documents for evidence that purchases were properly bid (including advertisement) and that the lowest responsible bidder or best value was selected, in compliance with GML and the purchasing policy.

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

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. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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