

Tuckahoe Common School District

Purchasing

JANUARY 2019



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

Contents

- Report Highlights 1**

- Purchasing 2**
 - How Should a District Procure Goods and Services? 2
 - The District Did Not Seek Competition When Procuring Professional Services 2
 - District Officials Did Not Obtain Quotes 3
 - What Do We Recommend? 4

- Appendix A – Response From District Officials 5**

- Appendix B – Audit Methodology and Standards 6**

- Appendix C – Resources and Services 8**

Report Highlights

Tuckahoe Common School District

Audit Objective

Determine whether the District sought competition for its professional service providers and for purchases that were under the bidding threshold, and whether professionals were paid in accordance with Board-approved rates.

Key Findings

- We reviewed 10 professional service providers paid a total of \$422,677 and found the District did not seek competition for eight providers paid \$309,300.
- The District paid an investigator \$7,813 more than the Board-approved rate of \$45,000.
- We examined invoices from 20 vendors totaling \$48,965 and found that the District procured goods and services from 12 vendors totaling \$23,678 without obtaining the required number of quotes.

Key Recommendations

- Use competitive methods to procure professional services and purchases under the bidding threshold.
- Obtain Board authorization if necessary professional services exceed the Board-approved compensation in written agreements or Board resolutions.

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

Background

The Tuckahoe Common School District (District) is located in the Town of Southampton in Suffolk County. The three-member Board of Education (Board) is 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 management under the Board's direction.

The Interim Business Official¹ oversees the District's business operations, including developing and administering the budget.

Quick Facts

Employees	125 full and part time
Students	327
2016-17 Total Expenditures (actual)	\$18,090,018
2017-18 Budgeted Appropriations	\$20,167,600

Audit Period

July 1, 2016 – November 30, 2017

¹ The former Business Official's employment with the District ended January 2018.

Purchasing

How Should a District Procure Goods and Services?

New York State General Municipal Law (GML)² 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 taxpayers, to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost. Districts must adopt their own policies and procedures for goods and services not required by law to be competitively bid. These purchasing policies and procedures provide guidance to district officials and employees involved in the purchasing process and help ensure that competition is sought on a best value basis or in a reasonable and cost effective manner when competitive bidding is not required.

GML permits school districts to set forth in their policies the circumstances for which the district has determined requests for proposals (RFPs) will not be in the district's best interests. However, in other circumstances, using a competitive method – such as the RFP process – ensures that school districts obtain services upon the most favorable terms and conditions, and in the taxpayers' best interest.

The District Did Not Seek Competition When Procuring Professional Services

The Board-adopted purchasing policy requires the solicitation of RFPs at least every three years.³ District officials did not always solicit competition by issuing RFPs when procuring professional services as required by the Board's policy. We reviewed the claims⁴ paid to 10 professional service providers, who were paid a total of \$422,677 during our audit period, and found discrepancies with eight providers paid a total of \$309,300. Some providers had multiple discrepancies.

- Eight contracts, totaling \$309,300, were awarded without the benefit of competition. These professionals included four companies providing therapy (\$88,711), an investigative services firm (\$79,639), a bookkeeping firm (\$79,429), a law firm (\$41,721) and the claims auditor (\$19,800).
- The District paid a therapist \$17,819 before entering into a written agreement authorizing the contract or the compensation to be paid. The District signed a written agreement with this therapist in July 2017; however, the therapist was paid during the 2016-17 fiscal year, prior to the written agreement.

2 New York State General Municipal Law (GML) Section 104(b)

3 The policy states that written proposals received from applicants must be retained for at least six years.

4 We reviewed four claims totaling \$13,202 for professionals with authorized payments at hourly rates to determine whether services performed and fees charged were mutually agreed upon in written agreements or resolutions.

-
- The District paid an investigator⁵ more than the Board-approved rate of compensation. The Board approved a resolution for 2016-17 authorizing annual compensation of \$45,000. However, the investigator was paid \$52,813 in 2016-17 with no resolution authorizing the additional payments totaling \$7,813.

Because District officials did not always seek competition to secure professional service contracts, the services may not have been obtained for the best value, and there is less assurance that these purchases were the most prudent and economical use of public funds. The lack of written contracts or detailed Board resolutions describing the services to be provided and the basis for compensation prevents the Board from determining whether fees charged are correct. Further, there is an increased risk that the District will pay for services it has not received.

District Officials Did Not Obtain Quotes

District officials did not always obtain the sufficient number of quotes required by the District's purchasing policy.

We examined invoices from 20 vendors totaling \$48,965 in the 2016-17⁶ fiscal year to determine whether District officials complied with the District's purchasing policy.⁷ We found that the District procured goods and services from 12 vendors totaling \$23,678 without obtaining the required number of quotes. District officials did not obtain any quotes when procuring goods and services from five of these vendors paid a total of \$7,123 and did not obtain a sufficient number of quotes from seven vendors paid \$16,555. These vendors included a septic service provider paid \$2,620.

Although the purchases we reviewed were for appropriate District purposes and some of the purchases contained quotes, District officials did not consistently adhere to the District's policy. When District officials do not obtain the quotes required by the purchasing policy, the District risks acquiring goods and services at higher costs than necessary.

The claims approved by the claims auditor did not include evidence that the required competitive method was obtained. As a result, District officials did not follow the Board-adopted procurement policy. District officials could not explain the reason that RFPs and quotes were not obtained because the purchasing agent, who was also the former Business Official, is no longer employed by the District.

5 The investigator is responsible for certifying the residency status of the students in the District.

6 These vendors were paid a cumulative total of \$82,959 in the 2016-17 fiscal year.

7 The specific number of quotations to be obtained for established thresholds is stated on the District's purchasing regulation.

What Do We Recommend?

District officials should:

1. Ensure that the purchasing policy is followed regarding the use of RFPs when procuring professional services.
2. Obtain Board authorization if necessary professional services exceed the Board-approved compensation in written agreements or Board resolutions.
3. Ensure that verbal or written quotes required by the purchasing policy are obtained for goods and services below the bidding threshold.

The claims auditor should:

4. Verify compliance with the procurement policy requirements for competitive procurement as part of the claims audit process.

The Board should:

5. Enter into written agreements or approve detailed resolutions for all individuals and firms that provide professional services to the District.
6. Establish procedures to ensure compliance with Board policies for procurement procedures and limits on payments to vendors.

Appendix A: Response From District Officials



Tuckahoe Common School District

468 Magee Street

Southampton, New York 11968

Tel. 631-283-3550

Fax 631-283-3469

SUPERINTENDENT

Mr. Leonard Skuggevik

BOARD OF TRUSTEES

Dr. Daniel Crough, Chairman

Mr. Robert E. Grisnik, Vice Chairman

Mr. Sean Hattrick, Trustee

January 7, 2019

Ira McCracken
Chief Examiner
Division of Local Government and
School Accountability
NYS Office Building
Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788

Re: Response to Draft Audit Report from the Tuckahoe Common School District

Dear Mr. McCracken,

We received your draft reports for Purchasing, Extra Classroom Activity Funds, and Financial Condition on December 6, 2018 and completed an exit conference with your representatives to discuss the accuracy and completeness of these reports on December 17, 2018.

It is our understanding that following our exit conference meeting certain discussions on information presented in the **Financial Condition** report regarding continuing trends in 2018 was removed. Also, language clarification regarding methodology was made to the **Extra Classroom Activity Funds** report.

With those adjustments made, we believe that the reports are presented accurately. Many of your recommendations have already been implemented to strengthen and improve our school operations.

The school district would like to thank you and your staff for their efforts in completing this audit. Please contact us if you need additional information and we look forward to receiving the final report.

Sincerely,

Leonard Skuggevik
Superintendent of Schools

Cc: Board of Trustees
Carl Fraser, Interim School Business Official
Katelyn Fretto, District Treasurer
Linda Springer, District Clerk- Executive Assistant

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 objective⁸ and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed District officials and reviewed the purchasing policy to gain an understanding of the procurement process.
- We identified 15 professional service providers, paid a cumulative \$448,943 during the audit period, from the District's vendor history reports. We selected the 10 professionals with the highest payments, a cumulative total of \$422,677. These 10 vendors received 94 percent of all professional service payments. We reviewed documentation to determine whether District officials sought proposals when awarding contracts. We also reviewed work agreements and Board resolutions authorizing the professional contracts. We compared payments to Board authorized rates to determine whether professionals were paid in accordance with Board approvals.
- We documented the vendors that received payments within the District's policy threshold for obtaining quotations (purchase contract threshold: \$500-\$2,499) or public works threshold (\$501-\$20,000). We eliminated vendors paid for utilities, professional services and insurance. The remaining 102 vendors were paid a cumulative 606 invoices totaling \$316,821 in 2016-17. Using a random number generator, we selected 20 vendors because they represented about 20 percent of the 102 vendors. We selected the highest claim paid for the 20 vendors and requested any documentation of quotes obtained.

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.

⁸ We also issued two separate audit reports, *Tuckahoe Common School District – Financial Condition* (2018M-191) and *Tuckahoe Common School District – Extra-Classroom Activity Funds* (2018M-229).

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

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/localgov/index.htm

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

HAUPPAUGE REGIONAL OFFICE – Ira McCracken, Chief Examiner

State Office Building, Room 3A10 • 250 Veterans Memorial Highway • Hauppauge, New York
11788-5533

Tel (631) 952-6534 • Fax (631)-952-6530 • Email: Muni-Hauppauge@osc.ny.gov

Serving: Nassau, Suffolk counties



Like us on Facebook at facebook.com/nyscomptroller

Follow us on Twitter [@nyscomptroller](https://twitter.com/nyscomptroller)