

Copenhagen Central School District

Procurement

MARCH 2020



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

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Report Highlights

Copenhagen Central School District

Audit Objective

Determine whether District officials sought competition for the purchase of goods and services not subject to competitive bidding.

Key Findings

- Our review of 24 purchases totaling about \$128,000 found that District officials did not seek competition by obtaining oral or written quotes for 18 purchases (75 percent) totaling \$81,500.
- District officials did not seek competition for services from five of the six professional service providers reviewed. These providers were paid \$457,700 during the audit period.

Key Recommendations

- Obtain written and verbal quotes as required by the District's procurement policy and ensure that all proper documentation is maintained.
- Periodically issue requests for proposals (RFPs) to solicit competition when seeking professional services.

District officials agreed with our recommendations and indicated they would take corrective action.

Background

The Copenhagen Central School District (District) serves the Towns of Champion, Rutland and Watertown in Jefferson County and the Towns of Denmark, Harrisburg and Pinckney in Lewis County.

The District is governed by a seven-member Board of Education (Board). The Board has overall responsibility for financial and educational affairs. The Superintendent of Schools (Superintendent), along with other administrative staff, is responsible for day-to-day operations.

The Superintendent is the Board-designated purchasing agent responsible for approving all purchases and ensuring they are made in accordance with District policy, regulations and applicable laws.

Quick Facts

Enrollment	472
Employees	124
2019-20 Appropriations	\$11 million
Expenditures Subject to RFPs or Quotes	\$2.8 million

Audit Period

July 1, 2018 – August 31, 2019

Procurement

How Should Officials Procure Goods and Services Not Subject to Competitive Bidding?

New York State General Municipal Law (GML) requires school districts to adopt and annually review written policies and procedures for the procurement of goods and services not subject to competitive bidding requirements.¹ GML states that goods and services not required by law to be competitively bid must be procured in a manner that ensures the prudent and economical use of public funds in the taxpayers' best interest.

Using a competitive method, such as a request for proposal (RFP) process or price quotes, helps ensure that quality goods and services are obtained at a reasonable cost and avoids the appearance of favoritism or impropriety.²

The Board has adopted a policy and established procedures in the form of policy regulations that define the methods to be used for procuring goods and services (e.g., issuing RFPs or obtaining written or verbal quotes). These regulations specify when each method should be used, and require adequate documentation of all actions taken with each method, identification of circumstances when the defined methods will not be in the District's best interest, and, finally, justification and documentation for any purchase contracts awarded to other than the lowest responsible bidder.

The Board-adopted purchasing policies and procedures also require the District to seek competition for purchases when competitive bidding is not required. For purchases and public work contracts under the GML thresholds of \$20,000 and \$35,000, respectively, the policies require either verbal or written quotes, but do not specify the number of quotes. Specifically:

- Purchase contracts between \$1,000 and \$20,000 require documented written quotes.
- Public work contracts between \$1,000 and \$10,000 require documented verbal quotes.
- Public work contracts between \$10,000 and \$35,000 require documented written quotes.

Furthermore, the District's policies state that professional services should be procured using RFPs to protect the District's interests and to avoid the appearance of favoritism or impropriety. Although the policies do not necessarily bind the District to select the lowest proposal in response to its RFP, they

1 GML Section 104-b

2 Refer to our publication *Seeking Competition in Procurement* available at <https://www.osc.state.ny.us/localgov/pubs/lgmg/seekingcompetition.pdf>

do require adequate documentation of its selection process to demonstrate the District's economical and prudent use of public money and to ensure fair competition.

Quotes Were Not Always Obtained for Purchases

We reviewed 24 purchases made during the audit period, totaling \$128,318, to determine whether District officials obtained the required quotes (either written or verbal) for purchases that were not subject to competitive bidding.³ We found that 18 purchases (75 percent), totaling \$81,517, were made without evidence that officials sought competition to obtain the lowest price. For the remaining six purchases, totaling \$46,801, District officials properly obtained quotes, used BOCES contracts or documented that only one vendor could provide the items purchased (i.e., a sole source provider).

District officials made 17 purchases totaling \$46,914 that were below the competitive bidding thresholds without appropriately obtaining quotes. These purchases included, but were not limited to, books and magazines (\$9,274), a pressure washer (\$6,125), elevator servicing (\$5,591), uniforms and shirts (\$4,997), heating system repairs (\$3,580), a sound system (\$2,843), computer hardware (\$2,275) and desks (\$1,255).

In two instances, District staff obtained one quote from the vendor that was selected, but did not document quotes from any other vendors. This may have occurred because the policy does not include guidance for determining the minimum number of written or verbal quotes required. In addition, District officials told us they did not obtain quotes for the heating system repairs because only one vendor could provide the service. However, they were unable to provide documentation to show this was a sole source provider, as required by the procurement policy.

Further, District officials did not retain the required documentation to show why they did not seek competition for the purchase of a hot water heater costing \$34,603. They told us this purchase was exempt from competitive bidding requirements because it was considered an emergency purchase. Officials indicated that the District did not have time to advertise for formal bids to replace a hot water heater that broke shortly before classes were scheduled to start in the 2018-19 school year.

However, officials did not maintain any documentation to show that an emergency had occurred and the Board did not pass a resolution indicating that an emergency situation existed. Also, the District's policy requires officials to seek and maintain records of verbal or written quotes when making emergency

³ See Appendix B for details on sampling methodology.

purchases, if practicable under the circumstances. There was no evidence that officials obtained quotes prior to making this purchase.

While the procurement policy specifies that the Superintendent, as purchasing agent, is responsible for implementing the purchasing procedures, he told us he does not verify that staff obtained the required quotes prior to approving purchase orders. In addition, District officials told us that, over time, they grew accustomed to their preferred vendors.

Because District officials did not always seek competition or document their decision-making process when competition was not sought for certain purchases, they cannot be sure that goods and services were procured in the most prudent and economical manner in the best interest of taxpayers.

Officials Did Not Always Seek Competition for Professional Services

We reviewed the District’s procurement of services from six professional service providers (including insurance providers) totaling \$472,231 to determine whether their services were procured using RFPs as required by the District’s policy. District officials did not seek competition for services from five of the six professional service providers who were paid a total of \$457,651 (Figure 1). District officials used an RFP process to select an external auditing firm, which was paid a total of \$14,580.

Figure 1: Professional Services Procured Without Competition

Type of Service ^a	Payments
Architectural (2)	\$363,484
Automobile/Building Insurance (1)	\$68,396
Student Liability Insurance (1)	\$15,633
Financial Advisement Services (1)	\$10,138
Total	\$457,651

^a Total number of service providers in each category is shown in parentheses.

District officials stated that, although they were required to issue RFPs in a competitive market according to Board policies, they could still choose their preferred vendor and that they preferred to contract with vendors that have had longstanding relationships with the District.

When District officials do not seek competition, they cannot assure taxpayers that procurements are made in the most prudent and economical manner, without favoritism. Further, they may be unaware of other vendors that could offer similar services at a more favorable rate.

What Do We Recommend?

District officials should:

1. Obtain verbal and written quotes as required by the District's procurement policy for goods and services below the bidding threshold.
2. Follow the procurement policy requirements for obtaining oral or written quotes for emergency purchases and documenting the justification for using sole source vendors.
3. Utilize an RFP process to solicit competition when procuring professional services, as required by the District's procurement policy.

The Board should:

4. Revise its procurement policy to include the appropriate number of written and verbal quotes needed.
5. Pass a resolution to declare that an emergency situation exists and authorize the exception to competitive bidding requirements, when necessary.

Appendix A: Response From District Officials

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District Treasurer
Logan Spaulding
Athletic Director
Brenda Shelmidine
District Clerk

February 24, 2020

Ms. Rebecca Wilcox, Chief Examiner
Office of the New York State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428

RE: Copenhagen Central School District
Procurement
2019M-238
Audit Response Letter

Dear Ms. Wilcox,

The Copenhagen Central School District is in receipt of the Draft Audit Report of Examination for the audit period July 1, 2018 - August 31, 2019. The District finds no objections to the contents of the Draft Audit Report and will prepare Corrective Action Plans within 90 days to address the audit findings and recommendations.

We would like to thank the field staff that were on site during the examination. Your staff exemplified the highest degree of professionalism and patience. We will utilize your findings and recommendations to further support our initiatives of continuous improvement within the District.

Sincerely,

Scott N. Connell
Superintendent

Lynn A. Murray
Board of Education President

"Equal Opportunity/Affirmative Action Employer"

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 reviewed the Board's adopted policies and written procedures to determine whether they sufficiently addressed procuring goods and services that are not subject to competitive bidding, in accordance with statutory requirements.
- We interviewed District officials and employees to gain an understanding of the District's procedures for the procurement process.
- We reviewed electronic cash disbursement data for the audit period and sorted data to select the population of purchases subject to quotes and to bids through an RFP process.
- Using our professional judgment, we selected a sample of 24 purchases totaling \$128,318. To obtain our sample for quotes testing, we removed payroll, employee benefits, debt services, tuition, payments to BOCES or other schools/governments, reimbursement transactions and interfund transfers from our total population. We removed all remaining payments under \$1,000. We then selected our sample to include purchases that require quotes in a competitive market. We reviewed the claims to determine whether officials obtained quotes as required by District policies.
- To test the procurement of professional services, we sorted and reviewed the cash disbursements data for all funds to identify vendors that provide professional services (including insurance) and interviewed District officials to identify any other providers. Using our professional judgment, we selected payments made to six providers of professional services totaling \$472,231, out of a total of 11 providers. We selected services where a competitive proposal process would most likely be beneficial. We reviewed documentation to determine whether RFPs were issued to procure these services. For those services where the District did not seek competition, we asked officials why competition was not sought.

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-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. We encourage the Board to make the CAP available for public review in the District 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#lgmg

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/pubs/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/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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