

Holley Central School District

Procurement

MARCH 2019



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

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Report Highlights

Holley Central School District

Audit Objective

Determine whether District officials used a competitive process to procure goods and services.

Key Findings

- The written procurement policy was inadequate.
- District officials did not obtain the required written quotes for 39 of 42 purchases reviewed totaling \$176,000.

Key Recommendations

- Adopt a comprehensive written procurement policy.
- Ensure purchases are made in accordance with the written procurement policy and procedures and that a competitive process is used.

District officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Holley Central School District (District) serves the Towns of Albion, Barre, Clarendon and Murray in Orleans County and the Town of Clarkson in Monroe 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, along with other administrative staff, is responsible for the day-to-day operations.

The Assistant Superintendent for Business is also the purchasing agent and is responsible for overseeing the procurement process.

The Board-appointed claims auditor is responsible for examining all claims. This function segregates two key functions, management's purchase of goods and services and the authorization of payments for those goods and services.

Quick Facts

| | |
|-------------------------------------|---------------|
| Enrollment | 999 |
| 2018-19 General Fund Appropriations | \$25 million |
| 2017-18 Expenditures ^a | \$1.1 million |

^a Subject to the procurement policy

Audit Period

July 1, 2017 – November 19, 2018

Procurement

How Should a School District Procure Goods and Services?

New York State General Municipal Law (GML)¹ states that goods and services, which are not subject to being procured using competitive bidding, 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 or best value basis. With certain exceptions,² school districts are required to advertise for competitive bids when procurements exceed certain dollar thresholds.³

GML requires the board to adopt written policies and procedures for procuring goods and services that are not subject to competitive bidding.⁴ Using written request for proposals (RFPs) or obtaining written or verbal quotes is an effective way to ensure that the school district receives the desired goods and services for the best price. The board should annually review and update these policies and procedures. The purchasing agent and the claims auditor are responsible for ensuring compliance with the school district's policies and procedures.

The Written Procurement Policy Was Inadequate

Although the Board adopted a procurement policy in 2015, it did not ensure that the policy and related written procedures adequately address the procurement of goods and services below the competitive bidding thresholds. The policy also does not address how professional services would be procured. District officials provided written procedures⁵ that require price comparisons for purchases exceeding \$100 and written quotes for purchases exceeding \$1,000.

The purchasing agent told us that officials no longer follow these requirements because they believe the procedures are outdated. However, officials were unable to provide any documentation indicating how procurements not required to be competitively bid are handled. The purchasing agent told us that sometimes she reminds individuals who made purchase requests to compare prices, but that she does not require such comparisons.

1 New York State General Municipal Law (GML), Section 104-b

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

3 Purchase contracts involving expenditures in excess of \$20,000 and contracts for public work involving expenditures in excess of \$35,000 within a year are generally subject to competitive bidding.

4 GML, Section 104-b

5 Dated 1995

Officials Did Not Seek Competition When Procuring Goods and Services

We reviewed 42 purchases totaling \$184,000 to assess how District officials procured goods and services that were not required to be competitively bid.⁶ We found that 39 purchases totaling \$176,000 were made without evidence that officials used a competitive process or obtained the required written quotes. The remaining three purchases were properly made using State and Board of Cooperative Educational Services (BOCES) contracts.

Our review of purchases, which included waste management, facility improvements, school supplies, professional services and road salt, disclosed the following examples:

- One payment of \$14,300 was paid to a private security firm for professional services. Officials told us that the District has been using this firm for many years. Although the purchasing agent (who was appointed to this position in December 2017) believed a competitive process such as an RFP should have been used, due in part to some management turnover at the District competition was not sought for these services.
- Another vendor was paid \$17,800 to perform site work. This vendor was subcontracted for a capital project. While on site performing that work, officials asked the vendor to do some additional work not related to the project (i.e., removing excess topsoil to regrade areas on District property). Officials told us that the vendor's equipment was already staged on site and the vendor was in between jobs and had time available to do the extra work. However, these circumstances did not eliminate the need to obtain competitive prices.

Without adequate written guidance, the purchasing agent was unable to ensure that purchases were made using a competitive process. In addition, the claims auditor told us that until recently she was unaware of the statutory purchasing requirements.

When officials do not seek competition to procure goods and services, there is an increased risk that goods and services may not have been obtained for the best value to ensure the most prudent and economical use of public money.

⁶ See Appendix B for information on our sampling methodology.

What Do We Recommend?

The Board should:

1. Adopt a comprehensive written procurement policy and annually review and update the policy as needed.

District officials should:

2. Develop written procurement procedures.
3. Ensure purchases are made in accordance with the written procurement policy and procedures and that a competitive process is used.
4. Ensure all employees involved in the purchasing process are aware of procurement policy requirements.

Appendix A: Response From District Officials



Holley Central School District

*Brian Bartalo, Superintendent of Schools, bbartalo@holleycsd.org
Sharon M. Zacher, Asst. Superintendent for Business, szacher@holleycsd.org*

March 8, 2019

Office of the New York State Comptroller
Mr. Jeffrey D. Mazula, Chief Examiner
Buffalo Regional Office
295 Main Street, Suite 1032
Buffalo, NY 14203-2510

RE: Holley Central School District, Procurement, 2019M-7
Combined Audit Response Letter and Corrective Action Plan

Dear Mr. Mazula:

The District is in receipt of the draft copy of the Report of Examination on Procurement for the period July 1, 2017 – November 19, 2018 along with the recommendations contained therein. Please allow this letter to serve as our written response to the Draft Audit Report as well as our Corrective Action Plan. The District would like to thank the local field staff of the Comptroller's office for their professionalism and courteousness while performing this audit.

We will use the recommendations to help the District improve procedures related to our procurement policy. The District strives for accuracy and always looks for better ways of spending as to not impose on our taxpayers.

The following is the District's corrective action plan in response to the report.

Audit Recommendation 1-The Board should adopt a comprehensive written procurement policy and annually review and update the policy as needed.

Implementation Plan of Action-Although the District has a Procurement Policy, the policy committee will take under advisement the recommendation to add language regarding procurement of professional services.

Implementation Date-April, 2019

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Audit Recommendation 2-The District officials should develop written procurement procedures.

Implementation Plan of Action-The District and report did acknowledge the regulation to this policy #5411 were from 1995. Prior to the audit, the District Administration recognized all regulations to our Board policies needed to be updated and had contracted with Erie I BOCES service to update all regulations including #5411R. This is still in progress and Administration will ensure the price comparisons for purchases are reasonable.

Implementation Date-May, 2019

Audit Recommendation 3-The District should ensure purchases are made in accordance with the written procurement policy and procedures and that a competitive process is used.

Implementation Plan of Action-The Purchasing Agent will follow the updated procedures and the Internal Claims Auditor will be monitoring this process.

Implementation Date-March, 2019

Audit Recommendation 4-The District should ensure all employees involved in the purchasing process are aware of procurement policy requirements.

Implementation Plan of Action-The District will thoroughly train all Administration, the Purchasing Agent and the Internal Claims Auditor.

Implementation Date-May, 2019

Sincerely,



Brian Bartalo, Superintendent
Holley Central School

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 District's purchasing policies and procedures to determine whether they sufficiently address the procurement of goods and services not subject to competitive bidding requirements. We interviewed District officials and employees to gain an understanding of the procurement process.
- We totaled payment amounts to each vendor in 2017-18 and excluded vendors paid less than \$2,000. We also excluded payments to BOCES, other school districts, payroll-related expenditures, insurance, reimbursements and utilities. This resulted in a total of 706 payments to 116 vendors totaling approximately \$870,000.
- We selected a judgmental sample of 42 purchases from 42 vendors with payments totaling \$184,000, which required quotes or RFPs, and included purchases near the dollar thresholds requiring quotes and RFPs. We excluded payments made to BOCES, other school districts, payroll-related expenditures, insurance, reimbursements, utilities and individual payments under \$2,000 to determine whether the District used a competitive process when procuring goods and services.

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 the relevant population size 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 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#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/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

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

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