



# Tuckahoe Common School District

## Purchasing

### Report of Examination

Period Covered:

July 1, 2011 — February 28, 2013

2013M-158



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

November 2013

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board of Education governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Tuckahoe Common School District, entitled Purchasing. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*

# Introduction

## Background

The Tuckahoe Common School District (District) is located in Suffolk County in the Town of Southampton. The District is governed by a Board of Trustees (Board) which comprises three elected members, with one appointed as the Chairperson. The Board is responsible for the general management and control of the District's financial and educational affairs. The Board provides guidance through the enactment of policies and procedures, adoption of the annual budget, and approval of all contracts. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

Responsibilities related to the District's purchasing practices are largely those of the School Business Official (SBO) and the Treasurer. The Board, on an annual basis, appoints the SBO as the District's purchasing agent. The purchasing agent is responsible for implementing the District's purchasing policy and ensuring that all District purchases are made in accordance with the policy and are in compliance with statutory requirements.

The District operates one school with 521 students and 87 employees. Budgeted expenditures for the 2012-13 fiscal year totaled \$17.7 million, which were funded primarily with real property taxes and State aid. Actual expenditures for the 2011-12 fiscal year totaled \$16.8 million.

## Objective

The objective of our audit was to examine the District's controls over purchasing. Our audit addressed the following related question:

- Did the District procure goods and services according to the District's purchasing policies?

## Scope and Methodology

We examined the District's purchasing practices for the period July 1, 2011, to February 28, 2013.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

## Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, with a copy forwarded to 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. The Board should make the CAP available for public review in the District Clerk's office.

## Purchasing

District officials are responsible for ensuring that they use taxpayer resources as economically as possible by procuring goods and services in compliance with General Municipal Law (GML) requirements and District policies. GML requires the Board to adopt written purchasing policies and procedures that provide guidance for determining when items must be competitively bid and explain the procedures the District must follow when obtaining goods and services that do not have to be competitively bid. The Board is responsible for ensuring that the District procures the desired quality and quantity of goods and services at the lowest cost, in compliance with District policies and legal requirements. To accomplish this, it is important that District officials seek competition and/or use State and county contract prices when available. The use of competition provides taxpayers with the greatest assurance that goods and services are procured in the most prudent and economical manner; that goods and services of desired quality are being acquired at the lowest possible prices; and that procurement is not influenced by favoritism, extravagance, fraud or corruption.

District staff did not always follow the competitive bidding guidelines as required by GML, or the District's purchasing policy, for purchases required to be bid, or those that were required to be purchased by obtaining verbal or written quotes. District personnel also did not comply with the District's purchasing policy by seeking competition when procuring the services of professional service providers. In addition, the Board did not follow its own purchasing policy by approving vendors for use outside of the competitive process. Finally, the Board also does not always enter into written agreements with professional service providers.

### **Bidding**

GML requires local governments and 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. After publicly advertising for sealed bids, contracts should be awarded to the lowest responsible bidder. The District's adopted purchasing policy requires District staff to competitively bid purchases based on established GML thresholds. According to the policy, District staff do not need to publicly advertise for bids when purchasing goods and services from contracts awarded by the New York State Office of General Services (OGS) or a county. Effective use of competition helps to ensure that the District is getting the best quality at the lowest possible price and assures taxpayers that public moneys are being spent in a prudent and economical manner.

District staff did not comply with GML or follow the competitive bidding guidelines in the District's purchasing policy. We reviewed payments made to 13 vendors totaling \$2,603,769 that were required to be bid<sup>1</sup> and found that the District paid \$304,145 to five of the 13 vendors without using a formal bid process or any other competitive method. The District received the following goods and services from these five vendors: outdoor education programs, heating services, busing services, computer hardware, and investigative services. For example, the District spent \$30,000 during the 2011-12 fiscal year for busing services, which exceeded the GML \$20,000 threshold and, therefore, should have prompted District staff to use a competitive bidding process for the following 2012-13 fiscal year. However, District staff did not use competitive bidding to select this vendor in either of those two fiscal years before procuring its services.

District staff used a formal bid process to procure goods and services from three of the 13 vendors, and they did not need to formally bid for purchases made from the remaining five vendors because these vendors were included on OGS or county contracts.

Because the District did not competitively bid all vendors as prescribed by law and its purchasing policy, District officials and taxpayers have no assurance that goods and services are being procured in the most prudent and economical manner.

## Competitive Quotes

For those purchases that are not required by GML to be publicly bid, the Board adopted a purchasing policy and a regulation that defines the different types of contracts and specifies the procurement requirements to be used in each instance. The regulation requires three verbal quotes from vendors for purchases from \$500 to \$2,499 and three written quotes for purchases from \$2,500 to \$20,000. For public works contracts, the regulation requires three written quotes from vendors for contracts between \$501 and \$20,000 and requires District staff to issue a request for proposals (RFP)<sup>2</sup> for contracts in excess of \$20,000 up to \$35,000.

District officials and staff did not follow the guidelines in the District's purchasing policy and regulations. We reviewed 21 claims<sup>3</sup> totaling \$87,056 and found the following:

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<sup>1</sup> We selected these purchases totaling \$2,603,769 made to 13 vendors because they included all purchases that were required to be bid that the District made during our audit period.

<sup>2</sup> Refer to the Requests for Proposals section for further information on this procurement method.

<sup>3</sup> Refer to Appendix B for further information about our sample selection.



- Six claims totaling \$6,927 were obtained without any type of competition. For example, District staff procured janitorial supplies totaling \$1,234 and furniture and equipment maintenance supplies totaling \$1,004 without obtaining three verbal quotes from vendors for these purchases.
- Five claims totaling \$9,873 were obtained properly by District staff. However, District staff did not attach the quotes used to procure these goods and services to the claims. Therefore, the claims auditor would not have been able to determine whether these goods and services had been procured properly, and we were unable to determine if the District had procured these goods and services at competitive prices. Upon request, District officials were able to produce documentation to show that they had publicly advertised for vendors to submit written quotes.
- Four claims totaling \$19,942 did not require verbal or written quotes because they were sole source providers. However, this information was not included in the claims packet for the purchases and, therefore, the claims auditor would not have been able to readily identify whether these goods and services had been properly procured.
- Two claims totaling \$25,393 did not require verbal or written quotes because these goods and services were procured using a State contract or co-operative bid.
- Four claims totaling \$24,921 were obtained properly by District staff. The quotes used to procure these goods and services were included in the claims packet that was provided to the claims auditor; therefore, it would have been clearly evident to the claims auditor that these goods and services had been procured properly.

In addition, the Board did not always follow its own purchasing policy and regulation by approving vendors for use outside of the competitive process. Of the six vendors whose goods and services were procured without any type of competition, two had been approved by the Board<sup>4</sup> to be used by District staff for procurement. For example, the District paid \$3,150 to one of the two vendors to repair and relocate a telephone system throughout the building. However, District staff had not obtained any quotes when procuring these services in August 2012.

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<sup>4</sup> During the Board's re-organizational meeting in July 2012



The failure of the Board and District staff to comply with the District's purchasing policy and regulation increases the risk that goods and services may not be obtained in the most prudent and economical manner and could result in the unnecessary expenditure of taxpayer moneys.

## Requests for Proposals

GML states that goods and services that are not required by law to be bid must be procured in a prudent and economical manner. The District must adopt policies and procedures which indicate when District officials need to seek competition for professional services through methods such as issuing requests for proposals (RFP). An RFP is a highly structured document that specifies minimally acceptable functional, technical, and contractual requirements and the evaluation criteria that will govern the contract award. While the District is not legally required<sup>5</sup> to issue an RFP when soliciting professional services, doing so would help ensure that the District obtains the needed services at a reasonable price, in the taxpayers' best interests, and without partiality. A written agreement is also essential for establishing the services to be provided, the time frames for those services, and the basis for compensation.

The District's purchasing policy requires that professional services be awarded only after the SBO prepares a comprehensive written RFP and contacts a number of professionals to request that they submit written proposals. The policy also requires that this process be repeated at a minimum of every three years.

District officials and staff did not follow the guidelines in the District's purchasing policy for obtaining professional service providers. We reviewed invoices from 16 professional service providers who the District paid a total of \$1,016,821 during our audit period and found that the District did not issue an RFP when selecting 14 of these providers<sup>6</sup> who received payments totaling \$898,837. The remaining two vendors<sup>7</sup> had been selected by District staff through State contracts or co-operative bids and, therefore, were not required to be obtained through a competitive process.

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<sup>5</sup> The District is required to comply with State legislation enacted in 2005 that requires school districts to use an RFP process when obtaining external audit services and to repeat this process to obtain external audit services at least once every five years.

<sup>6</sup> These 14 vendors provided accounting, computer technology, legal, architectural, insurance, and special education services to the District. Refer to Appendix B for further information about our sample selection.

<sup>7</sup> These two vendors provided computer technology and tutoring services to the District. Refer to Appendix B for further information about our sample selection.

In addition, the Board did not always follow its own purchasing policy by approving vendors for use outside of the competitive process. Of the 14 vendors whose services were procured without any type of competition, 12 had been approved by the Board<sup>8</sup> to be used by District staff for procurement. For example, the District paid \$63,247 to an accounting firm to review the District's books on a quarterly basis. However, District staff had not issued an RFP when procuring these services. As a result, the \$63,247 spent during the audit period on these services may not have been the most competitive price available. Without the benefit of competition in procuring professional services, District officials have no way to determine or demonstrate that they are expending taxpayer moneys in the most prudent and economical manner, and without the possibility of favoritism.

We also found that the District did not enter into a written agreement with two of the 16 vendors who provided architectural and legal services to the District and received payments totaling \$21,725 during our audit period. Because the District did not have a written agreement with these vendors, it has a greater risk of paying for services that it does not receive, or of overpaying for services that do not comply with contractual conditions and rates.

Furthermore, the District's policy is more restrictive than the State-enacted legislation, requiring District staff to issue an RFP when obtaining external audit services once every three years. However, District staff did not meet either of these requirements because they last issued an RFP for external audit services for the 2004-05 fiscal year and have not issued one since. As a result, the District violated State law and its own purchasing policy by using the same firm for the past nine years, without issuing an RFP. Had the District used an RFP process, it may have saved taxpayer moneys.

## **Recommendations**

1. The Board and District officials should ensure that District personnel comply with the District's purchasing policy by publicly advertising for bids for purchases and public work contracts that are subject to competitive bid requirements.
2. The Board and District officials should ensure that District personnel comply with the District's purchasing policy and regulation by obtaining required verbal and/or written quotes for purchases that are not required by GML to be publicly bid.
3. The Board should not approve vendors until after District personnel follow the purchasing policy and regulation by using competitive methods to obtain the vendors.

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<sup>8</sup> During the Board's re-organizational meeting in July 2012

4. The Board and District officials should ensure that District personnel comply with the District's purchasing policy by issuing an RFP when procuring the services of professional service providers.
5. The Board should enter into written agreements with all professional service providers.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

The District officials' response to this audit can be found on the following pages.



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*Joseph Chris Dyer*

*BOARD OF TRUSTEES*  
*Mr. Robert E. Grisnik, Chairman*  
*Mr. Harald G. Steudte*  
*Dr. Daniel Crough*

September 10, 2013

Office of the State Comptroller  
Division of Local Government and School Accountability  
PSU – CAP Submission  
110 State Street, 12<sup>th</sup> Floor  
Albany, NY 12236

The Tuckahoe Common School District Board of Trustees and Administration appreciates the time and effort spent on your office review of our district's policies and procedures. The insights and suggestions your staff provided serve to improve our operations and we are thankful for that. The Board of Trustees and Administration agree with the findings in the audit report.

For each recommendation included in the audit report, the following is our corrective action taken.

Audit Recommendation #1:

The Board and District Officials should ensure that District personnel comply with the District's purchasing policy by publically advertising for bids for purchases and public work contracts that are subject to competitive bid requirements.

District Response:

The Board and District officials have reviewed the findings within the report and noted the claims auditor found the same instances during his review of claims and reported same to the Board of Trustees within his quarterly report. The business office staff is responsible for following the purchasing policy for bidding public work contracts. The Purchasing Agent has publically bid all public work contracts since the audit has taken place and continues to monitor projects in order to follow district policy and General Municipal Law. The Purchasing Agent verifies requisitions prior to approval to ensure Bid information is referenced; and if not bid, the reason why (ie. State contract, BOCES Contract).

Audit Recommendation #2:

The Board and District officials should ensure that District personnel comply with the District's purchasing policy and regulation by obtaining required verbal and/or written quotes for purchases that are not required by GML to be publicly bid.

District Response:

The Board and District officials have reviewed the findings with the state auditors and noted the same findings in the quarterly claims auditor report. The board continues to monitor the district policy on quotes. The District staff has a quote sheet to be used for all verbal and written quotes to summarize



the pricing received. The purchasing agent enforces this procedure to ensure all staff requesting a purchase assist the purchasing agent in quick identification of lowest price.

Audit Recommendation #3:

The Board should not approve vendors until after District personnel follow the purchasing policy and regulation by using a competitive methods to obtain the vendors.

District Response:

The Board does not approve vendors until the purchasing regulation is followed. Effective July 1, 2013, the purchasing agent completes formal RFP's and bids prior to the board approving vendors.

Audit Recommendation #4:

The Board and District Officials should ensure that District personnel comply with the District's purchasing policy by issuing an RFP when procuring the services of professional service providers.

District Response:

The Board and District officials have reviewed and discussed the findings with the audit team. The finding was noted in the quarterly claims audit reports throughout the audit period as well. The district began preparing request for proposals during the 2012-2013 school year for maintenance contracts. The district has completed the Request for Proposals for all special education service contractors, maintenance work, and legal services in the 2013-2014 school year as recommended in the audit report. The district continues to monitor contracts to ensure the most competitive price is received.

Audit Recommendation #5:

The Board should enter into written agreements with all professional service providers.

District Response:

The district has completed the Request for Proposals for all special education service contractors, maintenance work, and legal services in the 2013-2014 school year as recommended in the audit report. The district has entered into written agreements for all service providers effective July 1, 2013 as a result of the RFP's.

The Tuckahoe Common School District would like to thank the audit team for their assistance and review of the Board policy and office procedures. We continue to monitor the policy and procedures and continuously look for ways to better improve the Districts purchasing practices.

Sincerely, \_

  
Robert E. Grisnik  
Board Chairman

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if the Board provided adequate oversight of fiscal operations. To accomplish this, we performed an initial assessment of the internal operations so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash management, cash receipts, cash disbursements, purchasing, payroll and personnel services, asset management, and information technology.

During the initial assessment, we interviewed appropriate District officials to obtain an understanding of the organization and the accounting system, performed limited tests of transactions, and reviewed pertinent documents, such as District policy and procedure manuals, Board minutes, and financial records and reports. Further, we reviewed the District's internal controls and procedures over computerized financial databases to help ensure that the information provided by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for risk of potential fraud, theft, and/or professional misconduct. We then decided on the reported objective and scope by selecting for audit the area most at risk. We selected purchasing for further audit testing. To accomplish the objective of this audit and obtain valid audit evidence, our procedures included the following:

- We interviewed appropriate individuals regarding District policies and procedures.
- We reviewed the minutes of the Board's meetings for the period July 1, 2011, through February 28, 2013.
- We reviewed the purchasing policies, District regulations, and related District procedures.
- We judgmentally selected 21 claims from a total population of 233 claims with payments made by the District in excess of \$500 but under \$20,000 and who we also believed were not included on any State, county, or other type of co-operative agreement.
- We selected and reviewed all 13 vendors who received payments exceeding \$20,000 during the 2011-12 fiscal year.
- We judgmentally selected and reviewed invoices from 16 professional service providers from a total population of 28 who received payments from the District during our audit period. Of these 16 vendors, 12 had been approved by the Board during its July 2012 re-organizational meeting to be used by District staff for procurement needs. The remaining four vendors included the District's external auditor and three vendors whose services did not appear to be procured from a State or county contract or through a co-operative bid.
- We reviewed contracts for the professional service providers included in our sample.



- We reviewed pertinent documents for each sample selected including the purchase requisitions, purchase orders, vouchers, vendor invoices, State contracts, county bids, co-operative agreements, and written vendor agreements.
- We reviewed vouchers to determine if aggregate purchases exceeded bidding limits.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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