



Barker Central School District Purchasing

Report of Examination

Period Covered:

July 1, 2014 – April 6, 2016

2016M-208



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials and Corrective Action	3
PURCHASING	4
Recommendations	5
APPENDIX A Response From District Officials	6
APPENDIX B Audit Methodology and Standards	9
APPENDIX C How to Obtain Additional Copies of the Report	10
APPENDIX D Local Regional Office Listing	11

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts 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 districts' 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 district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Barker Central 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 New York State 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 Barker Central School District (District) is located in the Town of Somerset and parts of the Towns of Hartland and Newfane in Niagara County and parts of the Towns of Ridgeway and Yates in Orleans County. The District is governed by the Board of Education (Board) which is composed of seven elected members. The Board is responsible for the general management and control of 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 the day-to-day management of the District under the Board's direction. The Business Administrator is responsible for the District's accounting records and financial reports and is appointed by the Board annually to serve as the District's purchasing agent. The Board appointed a claims auditor to examine claims against the District to determine whether purchases are made in accordance with District policy and properly documented before being approved for payment.

The District operates one school with approximately 800 students and 150 employees. The District's reported expenditures for the 2014-15 fiscal year totaled \$16.8 million, funded primarily with State aid, real property taxes and grants. Of this amount, approximately \$3.0 million was for materials, supplies and services.

Objective

The objective of our audit was to review the District's purchasing practices. Our audit addressed the following related question:

- Are District officials obtaining materials, supplies and services at the lowest possible cost for purchases not subject to competitive bidding?

Scope and Methodology

We examined the District's purchasing practices for the period July 1, 2014 through April 6, 2016.

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. 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.

**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. District officials generally agreed with our recommendations and plan to initiate corrective action.

The Board has the responsibility to initiate corrective action. 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, 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, 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

New York State General Municipal Law requires the Board to adopt a written purchasing policy for the procurement of goods and services that are not subject to competitive bidding. This policy should indicate when District officials must use competition, include procedures for determining the competitive method that should be used and describe the documentation that should be attached to the paid claim. An effective purchasing policy helps ensure that the District obtains materials, supplies and services of the desired quality and quantity at the best price while guarding against favoritism, extravagance and fraud.

The District's purchasing policy states that the Board recognizes its responsibility to ensure the development of procedures for the procurement of goods and services not required by law to be competitively bid. The policy also indicates that the District should adopt procedures to provide guidelines for the use of written requests for proposals, written quotes and verbal quotes. However, the District's written purchasing policy does not contain formal guidance for acquiring and documenting price quotes for purchases below the competitive bidding requirements.

We found that District officials did not consistently document that they obtained materials, supplies and services at the lowest cost in the best interests of the District's residents. According to the Business Administrator, the District follows an informal price quote procedure. For purchases without a labor component, the informal procedures require the requestor to obtain two catalog or price sheet comparisons for purchases of \$250 to \$1,000, two written quotes for purchases of \$1,000 to \$2,500 and three written quotes for purchases of \$2,500 to \$20,000. For public works contracts under the bidding threshold, informal quotes are not required for contracts \$1,000 and below. The requirements are otherwise the same.

We tested 43 claims¹ totaling \$96,409 to determine if they contained documentation indicating that District officials sought quotes from various sources before making the purchases. Of these, 26 claims (60 percent) totaling \$47,288 lacked evidence that the purchasers sought a sufficient number of price quotes from various sources. For example, claims for projection equipment and installation (\$11,000), tablet computers (\$9,380), District calendars (\$2,476) and student agendas (\$1,590) did not include the requisite number of price

¹ See Appendix B, Audit Methodology and Standards, for details on our sample selection.

quotes. Furthermore, the claims auditor was unaware of the District's informal policy for securing price quotes for purchases under the competitive bidding thresholds.²

The lack of an adequate procurement policy could result in the District paying more than necessary for goods and services. For example, the price the District paid for 10 tablet computers (\$4,690) was \$100 less than the price offered to educational institutions by the manufacturer. However, as an alternative, the District could have leased the same tablets for \$1,178 per year. If the District had leased these tablets for three years, the estimated leasing cost would have been \$3,534, \$1,156 less than the price paid to purchase these devices. District officials may find that obtaining price quotes to lease rather than buy tablet computers could generate cost savings.

Recommendations

The Board should:

1. Revise its purchasing policy to indicate when competitive quotes are required and describe the documentation that should be attached to each claim.
2. Communicate its policy for securing price quotes to the claims auditor so the claims auditor can conduct an adequate audit of claims and ensure that District officials are complying with the policy.

² District officials indicated that the current claims auditor was appointed by the Board in July 2015.

APPENDIX A

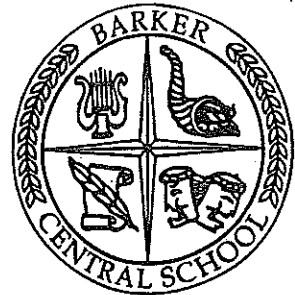
RESPONSE FROM DISTRICT OFFICIALS

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

Barker Central School

1628 QUAKER ROAD, BARKER, NEW YORK 14012-0328

FAX 716/795-3394



Roger J. Klatt, Ed.D.
Superintendent of Schools
716/795-3832

August 5, 2016

Mr. Jeffrey D. Mazula
Chief Examiner
Buffalo Regional Office
295 Main Street Suite 1032
Buffalo, NY 14203-2510

Dear Mr. Mazula:

The District is in receipt of the draft copy of your Report of Examination on the Purchasing Procedures for the period beginning July 1, 2014 and ending April 6, 2016 and 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.

The District has had the opportunity to review the 26 exception claims noted in the draft report that totaled \$47,288.50. Of these 26 claims, ten were made using contracts that were State Contracts or cooperative bids utilizing BOCES. These ten claims accounted for \$29,356.29 or approximately 60% of the total claims. The District has assumed that the use of state contract and BOCES bidding was a permissible practice to seeking alternative quotes. The District feels that inherent in state and BOCES contract pricing is the fact that products selected have already survived the bidding process. The District policy does not specifically state this but the policy will be modified per the recommendation of your audit.

An additional nine claims were reviewed that totaled \$14,181.75 or approximately 30% of the total claims. These claims did lack documentation attached to the claim form but documentation was present in the District that justified the purchase of these items. Examples include the purchase of student agendas that supported the Dignity for All Students Act (1), use of exclusive retailers for software/clocks (2), jobs that were considered custom in nature (2), split order for school uniforms (1), specific forms that are part of a testing pattern (1), and printing of the Banner and the school calendar(2). The District will insure that all individual claim packets in the future will contain all the appropriate documentation so that the claims auditor can easily conduct an adequate review of the claim and reconcile purchases with the bidding/quotation policy.

Mr. Jeffrey D. Mazula
August 5, 2016
Page 2

The District acknowledges that the remaining seven claims totaling \$3,750.46 did not adhere to the District's informal purchasing policy of seeking alternative quotes. The District will formalize the competitive pricing thresholds in the District purchasing policy and review this policy with the claims auditor.

The District takes the recommendations of the State Comptroller's Office very seriously. The policy changes will be presented to the Board of Education at the September 12, 2016 meeting. This policy will be immediately reviewed with the claims auditor as well as the documentation requirements for each claim.

The District thanks the Comptroller's Office for their recommendations to improve the procurement procedures for Barker Central School District.

Sincerely,

Roger J. Klatt, Ed.D.
Superintendent

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District personnel about purchasing procedures, including the documentation of competitive pricing.
- We reviewed District purchasing policies and Board minutes.
- We selected a judgmental sample of 43 claims listed on warrants of audited claims, representing purchases of materials, supplies and services over \$250 that required price quotes in accordance with the District's informal policy. These 43 claims totaled \$96,409 and were paid in 2015. We examined these claims to determine if they contained evidence to indicate that District officials solicited multiple quotes prior to purchase.
- We researched alternative price quotes for tablet computers.

We conducted this performance audit in accordance with 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Tracey Hitchen Boyd, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313