



Belfast Central School District Procurement

Report of Examination

Period Covered:

July 1, 2014 – August 16, 2016

2016M-317



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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 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 Belfast Central School District, entitled Procurement. 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 Belfast Central School District (District) is located in the Towns of Allen, Angelica, Belfast, Caneadea and New Hudson in Allegany County. The District is governed by an elected seven-member Board of Education (Board), which is responsible for the general management and control of the District's financial and educational affairs. 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. The District contracts with the Cattaraugus-Allegany-Erie-Wyoming Board of Cooperative Educational Services (BOCES) for its central business office functions and for the services of a shared¹ Business Administrator who oversees the District's business operations.

The Business Administrator is appointed by the Board as the purchasing agent and is responsible for overseeing the procurement process. A BOCES employee serves as the Board's appointed claims auditor and is responsible for reviewing all claims prior to payment. Both play an important role in the purchasing function by ensuring goods and services are procured in accordance with District policies.

The District operates one school with approximately 340 students and 90 employees. The District's general fund appropriations for the 2015-16 fiscal year totaled approximately \$9.1 million, which were funded primarily with State aid and real property taxes.

Objective

The objective of our audit was to examine the District's procurement procedures. Our audit addressed the following related question:

- Does the District procure goods and services in accordance with its procurement policy and applicable statutes?

Scope and Methodology

We examined the District's procurement procedures for the period July 1, 2014 through August 16, 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

¹ The District's Business Administrator and Superintendent are shared with the Friendship Central School District.

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 the recommendations and indicated they would take 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.

Procurement

District officials are responsible for ensuring District resources are used as economically as possible by procuring goods and services in compliance with General Municipal Law (GML) and District policies. GML requires the Board to advertise for bids on contracts for public works of more than \$35,000 and on purchase contracts of more than \$20,000. GML also requires the Board to adopt written procurement policies and procedures that provide guidance for determining when items must be competitively bid and explain the procedures when obtaining goods and services that do not have to be competitively bid. These policies and procedures should indicate when District officials must obtain competition, outline procedures for determining the competitive method that will be used, and describe the documentation and retention requirements for quotes and proposals received.

The use of competition provides District residents with assurance that goods and services are procured in the most prudent and economical manner, that goods and services of desired quality are acquired at the lowest possible prices and that procurement is not influenced by favoritism, extravagance, fraud or corruption.

Although the Board has adopted a procurement policy that requires competition for purchases not subject to bidding requirements, the policy does not clearly establish procedures for procuring professional services. Also, the purchasing agent and claims auditor did not always ensure that purchases were made in compliance with the policy or require District officials to properly document compliance when they sought competition. We selected 20 vendors² who were paid approximately \$589,000 and found District officials could not demonstrate that they sought competition when procuring professional services from five vendors who were paid approximately \$164,000 or obtain quotes for purchases from one vendor totaling \$3,000.

Professional Services – GML does not require competitive bidding for the procurement of professional services that involve specialized skill, training and expertise, professional judgment, discretion or a high degree of creativity. However, GML does require that school districts adopt policies and procedures for the purchase of goods and services when competitive bidding is not required. Prudent business practices provide that contracts for professional services be awarded

² See Appendix B, Audit Methodology and Standards, for sample selection methodology.

after soliciting competition. One way to accomplish this is to send out requests for proposals (RFPs), which are meant to ensure the school district receives the desired service on the most favorable terms or for the best value.

Although the Board has adopted a procurement policy, the policy does not clearly establish the procedures for obtaining professional services. However, District officials stated they generally use the procedures in the District's policy for public works³ contracts when procuring professional services. The policy requires three documented verbal quotes for contracts totaling between \$2,001 and \$10,000, formal written quotes from three vendors for contracts totaling between \$10,001 and \$35,000 and competitive bidding for those in excess of \$35,000.

We selected a sample of 10 vendors that were paid for professional services totaling \$269,000 and found that District officials could not demonstrate they obtained written quotes, publicly advertised or requested proposals for services from five vendors totaling approximately \$164,000. These vendors provided insurance coverage (\$101,500), legal services (\$23,300), student-behavior analysis (\$17,100), financial advisory services (\$11,700) and preventive maintenance on the heating, cooling and ventilation system (\$10,300). The Business Administrator indicated two vendors were sole source providers for services totaling \$27,400,⁴ but he could not provide documentation to demonstrate they were actually sole source providers. Generally, a sole source provider would be the only vendor that could provide the needed service. District officials solicited competition through RFPs or public advertisement for the services from the remaining five vendors.

Goods and Equipment – The Board adopted a written policy and District officials developed supplemental procedures for purchasing goods that are not required to be publicly bid. These policies and procedures require documented verbal quotes from three vendors for purchases totaling \$1,001 to \$5,000 and formal written quotes from three vendors for purchases totaling \$5,001 to \$20,000. Purchases costing less than \$1,000 require at least two catalog or price sheet comparisons. District officials are required to retain documentation to demonstrate compliance with the policy and procedures.

We selected a sample of 10 vendors that were paid a total of \$320,000 for goods and equipment and found that District officials did not

³ Public works contracts are typically items or projects involving labor or both materials and labor.

⁴ These services were for student-behavior analysis (\$17,100) and preventive maintenance (\$10,300).

follow their procurement procedures and obtain the proper quotes for purchases from one vendor for athletic equipment totaling \$3,000.⁵ Without such documentation, District officials cannot demonstrate to us, the purchasing agent or the claims auditor that they had sought competition prior to purchase as required by the policy or that the lowest cost was obtained.

Because District officials did not always solicit competition and follow the procurement policy and because the purchasing agent allowed the purchase and claims auditor approved payment without adherence to the policy, 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 or at the lowest possible cost to District residents.

Recommendations

The Board should:

1. Review and revise its procurement policy to clearly require the procurement of professional services through RFPs or written or verbal quotes.
2. Require District officials to retain documentation such as RFPs or written or verbal quotes.
3. Require the purchasing agent and claims auditor to regularly monitor compliance with the procurement policy and periodically report to the Board.

District officials should:

4. Solicit competition for professional services through the use of RFPs or quotes and obtain the appropriate number of quotes for purchases as required by the procurement policy.
5. Ensure that appropriate documentation, such as quotes, and proposals are retained and available for review.
6. The purchasing agent should require documentation of compliance with the procurement policy before approving purchases.
7. The claims auditor should verify compliance with the procurement policy prior to approving claims for payment.

⁵ Our sample included two purchases for buses (\$116,000 and \$93,000) that were subject to competitive bidding. There are several exceptions from competitive bidding including purchases through the New York State Office of General Services, commonly referred to as a State contract. The buses were purchased through a State contract. The remaining purchases were below bidding thresholds.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Belfast Central School District

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December 5, 2016

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Mr. Jeff Mazula
Office of the State Comptroller
Division of Local Government and School Accountability
295 Main Street, Room 1032
Buffalo, NY 14203-2510

Dear Mr. Mazula,

The Belfast Central School District is in receipt of the Comptroller's draft audit report titled: Procurement, Report of Examination 2016M-317 for the period covering July 1, 2014 – August 16, 2016. The District is in agreement with the recommendations made in the report and it is the District's goal to be fiscally responsible and to maximize the use of public monies at the lowest possible cost to the District taxpayers. We appreciate the valuable insight that the audit process provided and we have started reviewing our procedures to see where we can make improvements for the future.

Please accept the following procedure changes as our corrective action plan (CAP) for this audit:

Recommendation #1: Review and revise its procurement policy to clearly require the procurement of professional services through RFPs or written or verbal quotes.

The District utilizes Erie I BOCES' policy development. We will work with Erie I to develop a more comprehensive policy that explains the procedures more thoroughly.

Recommendation #2: Require District Officials to retain documentation such as RFPs or written or verbal quotes.

It has been the District's policy to require this, but there has been some changeover in our personnel during the time period of the audit which we believe has caused the inability to find some of the files from prior to the changeover. We will review our filing to determine how this can be avoided in the future.

Recommendation #3: Require the purchasing agent and claims auditor to regularly monitor compliance with the procurement policy and periodically report to the Board.

Again, this is a procedure that the District has required, but is a “work in progress” for our newly hired employees. We will continue to work on this to improve the procedures.

Recommendation #4: Solicit competition for professional services through the use of RFPs or quotes and obtain the appropriate number of quotes for purchases as required by the procurement policy.

While the district does this for a majority of their services, with the help of the auditors, we have found a small batch of services that were not being quoted. We have put procedures in place to handle these services and hopefully catch others that may need quotes in the future.

Recommendation #5: Ensure that appropriate documentation, such as quotes, and proposals are retained and available for review.

As mentioned in recommendation #2, these are procedures that we have required in the past, but have been working with new staff to train on the proper procedures. We will continue to work with the staff to ensure that these procedures are followed in the future.

Recommendation #6: The purchasing agent should require documentation of compliance with the procurement policy before approving purchases.

With a shared Business Official, this is one area that has unfortunately taken a “back burner” with the time constraints. The District will focus on this area much more closely in the future.

Recommendation #7: The claims auditor should verify compliance with the procurement policy prior to approving claims for payment.

As mentioned in recommendation #3, the District will continue to work on this procedure to improve our procedures.

The District would like to extend our gratitude to the field auditors involved in the comprehensive examination of our financial operations and their professionalism in conducting this audit. We appreciate the feedback received and the comments made by the audit team in support of our continuing efforts.

Sincerely,

Judy May
District Superintendent

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed the Board-adopted procurement policy and supplemental procedures developed by District officials. We interviewed District officials to gain an understanding of the procurement process.
- We reviewed expenditure reports and sorted by vendor to identify purchase types and vendors with contracts or cumulative payments exceeding the quotation thresholds established by Board policy or purchases that, in aggregate, would be subject to competitive guidelines.
- We judgmentally selected and reviewed invoices to determine the population of vendors and selected the top 10 highest paid vendors providing professional services and the top 10 highest paid vendors providing goods and equipment.
- We reviewed invoices and supporting documentation including requisitions, purchase orders, vouchers and vendor invoices to determine if payments were supported and contained evidence that goods were received or services were rendered.
- We reviewed procurement documentation and interviewed officials to determine if goods were procured competitively or in compliance with the procurement policy.

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.

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