



Blind Brook-Rye Union Free School District

Internal Controls Over Purchasing

Report of Examination

Period Covered:

July 1, 2014 – December 31, 2015

2016M-125



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 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 Blind Brook-Rye Union Free School District, entitled Internal Controls Over 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 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 Blind Brook-Rye Union Free School District (District) is located in the Village of Rye Brook and the Town of Rye in Westchester County. The District is governed by the Board of Education (Board), which is composed of five 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 District's day-to-day management under the Board's direction.

The District operates three schools with approximately 1,500 students and 275 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$42.6 million, which were funded primarily with real property taxes and State aid. Annually, the Board appoints a purchasing agent who is responsible for purchasing goods and services.

Objective

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

- Did District officials purchase goods and services in accordance with General Municipal Law and the District's purchasing policy?

Scope and Methodology

We examined the District's purchasing practices for the period July 1, 2014 through December 31, 2015.

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

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

Purchasing

General Municipal Law (GML) requires that school districts competitively bid for purchase contracts involving an expenditure of more than \$20,000 and for public works involving expenditures of more than \$35,000 in a year. GML also requires the Board to adopt written procurement policies and procedures for the purchase of goods and services that do not require competitive bidding. GML provides that goods and services not required to be competitively bid must be procured in a manner that assures the prudent and economical use of public moneys in the best interest of District residents; facilitates the acquisition of goods and services of maximum quality at the lowest possible cost and guards against favoritism, improvidence, extravagance, fraud and corruption.

District officials procured goods and services in accordance with GML and the District's purchasing policy and regulations. District officials have established adequate internal controls over the District's procurement process. The Board adopted a purchasing policy and regulations that provide guidance on procurement methods for all purchases, including those that do not require competitive bidding.

During our audit period, the District paid claims for goods and services totaling \$4.34 million. We reviewed 52 claims totaling \$2.09 million (32 judgmentally selected claims totaling \$380,015 and 20 randomly selected claims totaling \$1.7 million¹) to determine whether they were purchased in accordance with GML requirements and the District's purchasing policy.

Of the 52 claims, 14 totaling \$339,389 were related to purchases that should have been competitively bid. We found that all of the purchases were either properly bid or exempt from bidding.² We also reviewed 14 other claims totaling \$103,906 in which District personnel should have obtained quotes before initiating the purchases. Except for only minor discrepancies, we found that District personnel properly obtained quotes in accordance with the District's purchasing policy and regulations.

The remaining 24 claims totaling \$1.6 million were for professional services. We found that District officials awarded professional services contracts according to the District's purchasing policy and regulations. Except for minor discrepancies which we discussed with District officials, District employees adhered to GML requirements

¹ Refer to Appendix B for information on our sample selection.

² Use of State contract

and the District's purchasing policy and regulations. We commend District officials for establishing and implementing an effective system of controls over the District's purchasing practices.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

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Superintendent of Schools
Jonathan Ross, Ed.D.

May 13, 2016

Chief Examiner
Office of the State Comptroller
Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Re: Blind Brook-Rye Union Free School District
Report of Examination 2016M-125
Internal Controls over Purchasing
July 1, 2014 – December 31, 2015

Dear Chief Examiner:

The Blind Brook-Rye Union Free School District acknowledges receipt of a draft of the above referenced report relative to the recent audit conducted by members of the Newburgh Regional Office of the OSC.

The School District appreciates the commendation issued in the report as it affirms our efforts to operate with the highest degree of fiscal integrity, transparency and accountability. Given the fact that the report does not contain any adverse findings or recommendations, we do not believe a corrective action plan is necessary to submit with this response letter. Please advise us if there is anything else the OSC needs from this School District.

Finally, the School District would like to express its appreciation for the courtesy, professionalism and respect demonstrated by the field audit team during their extended visit. We recognize and applaud both the effort and interest they took in exercising their statutory responsibilities.

Sincerely,

Jonathan Ross, Ed.D.
Superintendent of Schools

Jeffrey Diamond
President, Board of Education

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials and employees to gain an understanding of the District's purchasing procedures.
- We reviewed the District's purchasing policy.
- To identify the population of claims paid by the District, we used electronic cash disbursement data and removed payments made for payroll-related expenditures and disbursements made from the student activities account. Of the remaining claims, we randomly selected 50 of which 30 were not required to comply with the District's procurement policy (e.g., tuition, BOCES and settlement payments). This left us with 20 randomly selected claims. We then judgmentally selected 32 additional claims (based on vendor names) for a total of 52 claims totaling approximately \$2 million that were paid to 32 vendors. We reviewed these additional 32 claims to ensure that purchases were not broken up to appear to be below the competitive bidding thresholds and to ensure payments were made in accordance to contract terms. We also separated the 52 claims into procurement categories to test for specific criteria.
- We reviewed each purchase packet to determine whether District officials properly bid, obtained written quotations, obtained requests for proposals or used a State or county contract price when making the purchase.

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

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