



# Brocton Central School District Purchasing

## Report of Examination

Period Covered:

July 1, 2014 — November 5, 2015

2015M-305



Thomas P. DiNapoli

# Table of Contents

	Page
<b>AUTHORITY LETTER</b>	1
<b>INTRODUCTION</b>	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials and Corrective Action	2
<b>PURCHASING</b>	4
Recommendations	6
<b>APPENDIX A</b> Response From District Officials	7
<b>APPENDIX B</b> Audit Methodology and Standards	9
<b>APPENDIX C</b> How to Obtain Additional Copies of the Report	10
<b>APPENDIX D</b> Local Regional Office Listing	11

# State of New York Office of the State Comptroller

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

February 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 Brocton 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 Brocton Central School District (District) is located in the Towns of Portland, Stockton and Pomfret in Chautauqua 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 District operates one school with approximately 615 students and 140 employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$16.9 million, funded primarily with State aid and real property taxes.

Annually, the Board appoints a purchasing agent to purchase required goods and services at the most competitive terms.

## Objective

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

- Did the District purchase goods and services in accordance with District policies and statutory requirements?

## Scope and Methodology

We examined the District's purchasing practices for the period July 1, 2014 through November 5, 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 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 agreed with our recommendations and indicated they planned 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

An effective purchasing process can help the District obtain services, supplies and equipment of the right quality and quantity from the best qualified and lowest-priced sources, in compliance with Board policy and legal requirements. This process helps the District expend taxpayer dollars efficiently and guards against favoritism, extravagance and fraud. General Municipal Law (GML) generally requires the Board to advertise for bids on contracts for public works involving expenditures of more than \$35,000 and on purchase contracts involving expenditures of more than \$20,000.

GML also requires the Board to adopt written policies and procedures for the procurement of goods and services that are not subject to competitive bidding requirements, such as professional services and items that fall under bidding thresholds. 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 requirements and responsibilities. Competitive methods can include competitive bidding, sending out a request for proposals (RFP) and gathering written and verbal quotes.

We selected a sample of 23 vendors<sup>1</sup> who were paid approximately \$571,300 during the audit period and found that District officials did not use competitive bidding to procure goods from two vendors who were paid a total of \$72,759.<sup>2</sup> In addition, District officials did not use other competitive methods to procure goods and services from seven vendors who were paid a total of \$163,970. These procurements were for professional services and items that fell under bidding thresholds. Although the District has a procurement policy, the Board has not adopted policies and procedures governing the procurement of goods and services when competitive bidding is not required.

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

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<sup>1</sup> We reviewed one claim voucher from each vendor to ensure they were for legitimate District purposes and we noted no significant exceptions.

<sup>2</sup> These purchases of \$51,203 for fuel and \$21,556 for a van were subject to bid.

way to accomplish this is to send out an RFP, which is meant to ensure the District receives the desired services on the most favorable terms or for the best value.

The District's purchasing policy does not address the procedures for obtaining professional services. Of the 23 vendors selected, six were paid a total of \$195,572 for professional services. However, we found that District officials did not always solicit competition through RFPs or obtain or retain quotes or bids. District officials did not obtain written quotes, publicly advertise for bids or request proposals for services from four vendors which were paid a total of \$138,571. These vendors provided services including liability insurance (\$83,138), legal (\$27,218), architectural (\$15,734) and financial consulting (\$12,481).

Although the District does not have written procedures for obtaining professional services, District officials did send out an RFP for services from the remaining two vendors<sup>3</sup> who, after selection, were paid \$57,000. The District provided the RFP documentation submitted by these two vendors and retained the other proposals that were submitted. Although not required for professional services, the District selected the lowest priced vendors for these services.

Competitive Bidding – GML generally requires competitive bidding for purchase contracts over \$20,000 and public works contracts over \$35,000, and these amounts are reflected in the District's Board-approved purchasing policy.

Of the 23 vendors selected, six were paid a total of \$281,651 that was subject to competitive bidding. However, we found no evidence that competitive bidding occurred for two vendors for purchases of diesel fuel totaling \$51,203 and a van totaling \$21,556.

Regarding the diesel fuel, District officials used the New York State Office of General Services (OGS) contract awarded vendor<sup>4</sup> for the period prior to November 15, 2014. However, after this date, District officials paid \$51,203 for diesel fuel but did not use the OGS contract-awarded vendor because a different vendor was awarded the OGS contract. District officials stated they thought they were receiving a higher quality fuel from the prior vendor. In addition, the District does not have a contract in place for the new source of diesel fuel to allow for purchases from the prior vendor.

The District purchased a van for \$21,556; however, District officials did not comply with the competitive bidding requirement to publicly

<sup>3</sup> Occupational therapist (\$45,000) and external auditor (\$12,000)

<sup>4</sup> This is an alternative to competitive bidding that is allowed by GML.



advertise for the purchase. District officials did, however, obtain three written quotes and selected the vendor with the lowest cost.

Items Under Bidding Thresholds – GML requires the Board to adopt a written policy to procure goods and services that are not subject to competitive bidding requirements. However, the District’s purchasing policy does not address procedures for items that fall under competitive bidding thresholds.

Of the 23 vendors we selected, 11 were paid a total of \$94,035 for goods and services that fell under the competitive bidding thresholds established by the District’s purchasing policy. District officials did not obtain quotes for three vendors that were paid \$25,399. The purchases were for cleaning supplies (\$9,719), stone repair (\$9,280)<sup>5</sup> and football uniforms (\$6,400).

The Board did not adopt a purchasing policy which addresses the procurement of professional services and items that fall under the bidding thresholds. Further, District officials did not always use competition to secure professional service contracts or have procedures in place to document the methodology for the procurement of professional services or the basis for the selection of professional service providers. As a result, 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 at the lowest possible cost to District taxpayers.

## Recommendations

1. The Board should adopt a purchasing policy that addresses the procurement of professional services and items that fall under the bidding thresholds, including the use of RFPs, written quotes and verbal quotes, and the required documentation.
2. District officials should ensure that the purchasing agent receives and reviews appropriate purchasing documentation, such as quotes, bids and proposals, in accordance with the District’s purchasing policy.
3. District officials should solicit bids for purchases exceeding the mandatory bid limits as required by law.

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<sup>5</sup> District officials stated they did not obtain quotes for stone repair because they have used the vendor before and were satisfied with the services.



**APPENDIX A**

**RESPONSE FROM DISTRICT OFFICIALS**

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

# Brocton Central School

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Beth Jagoda  
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Steven Smith

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Sandra Olson, Elementary Principal  
Elizabeth Antolina, MS/HS Principal  
Christine Barth, Dir of Special Ed/Curriculum Dir  
Caitlin Barkley, Business Exec/District Treasurer  
Linda Miller, District Clerk

February 5, 2016

Jeffrey D. Mazula, Chief Examiner  
Office of the State Comptroller  
Division of Local Government and School Accountability  
295 Main Street, Suite 1032  
Buffalo, New York 14203-2510

Dear Mr. Mazula:

Brocton Central School District is in receipt of a draft copy of the audit report titled: Purchasing, Report of Examination 2015M-305 for the period covered July 1, 2014 - November 5, 2015. The District is in agreement with the recommendations made in the report and is already in the process of implementing policies and procedures to strengthen the purchasing procedures of the District. It is the District's goal to be fiscally responsible and to ensure that the District is receiving the most prudent and economical use of public monies at the lowest possible cost to the District taxpayers.

The District will implement its Corrective Action Plan to address the recommendations made in the report as follows:

1. Adopt a purchasing policy that addresses professional services and required documentation for items that fall under bidding thresholds
2. Ensure that the purchasing agent receives documentation of verbal or written quotes or proposals for items purchased that fall under the bidding thresholds
3. Solicit bids for all purchases exceeding the mandatory bid limits in accordance with General Municipal Law

We appreciate the feedback received and thank the examiners for their time and efforts. We welcome the opportunity to improve our operations related to purchasing.

Warm Regards,

Douglas Walter  
President

## Mission Statement:

The Brocton Central School District will provide to all students a sound environment for educational excellence that will develop the skills, attitudes, knowledge and values to become contributing members of society. We will encourage individual excellence by students of all ages so that they may gain a life-long enthusiasm for learning and work.

## **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 reviewed financial records and reports, policies and Board minutes to gain an understanding of the purchasing process.
- We reviewed the District's purchasing policy to determine if it adequately addresses the purchase of goods and services.
- We judgmentally selected a sample of 23 vendors which were paid approximately \$571,300 in our audit period. Our sample was selected based on the total amounts the District paid the vendors during our audit period. We reviewed bids, proposals, quotes and supporting documentation to determine if the purchases were made using competitive methods and/or were in compliance with the District's purchasing policy and GML.
- We reviewed one claim voucher from each of the 23 vendors to ensure they were for legitimate District purposes.

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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