



Mineola Union Free School District Competitive Quotations

Report of Examination

Period Covered:

July 1, 2014 — June 30, 2015

2015M-313



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

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 Mineola Union Free School District, entitled Competitive Quotations. 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 Mineola Union Free School District (District) is located in the Town of North Hempstead, Nassau County (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 Assistant Superintendent for Business, who is the purchasing agent, is responsible for reviewing and approving purchase orders.

The District operates five schools with approximately 2,800 students and 830 employees. The District's budgeted appropriations for the 2014-15 fiscal year were approximately \$87.8 million, which were funded primarily with real property taxes.

Objective

The objective of our audit was to review the District's internal controls over the procurement process. Our audit addressed the following related question:

- Did District officials obtain quotes for purchases that were not subject to the competitive bidding requirements?

Scope and Methodology

We examined the District's internal controls over purchases that were not subject to competitive bidding requirements for the period July 1, 2014 through June 30, 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 have taken 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.

Competitive Quotations

An effective procurement process helps ensure that goods and services of the right quality, quantity and price are purchased in compliance with Board and legal requirements, without the influence of favoritism, extravagance or corruption. Therefore, it is important that District officials seek competition when available. General Municipal Law (GML) requires advertising for competitive bids for purchase contracts that equal or aggregate to more than \$20,000 and for public works contracts that equal or aggregate to more than \$35,000.¹ GML also requires the Board to adopt a written procurement policy governing the purchase of goods and services that are not subject to competitive bidding requirements. This policy should indicate when District officials must obtain quotations, outline the procedures for determining which method will be used and provide for adequate documentation of the actions taken.

The Board has adopted a purchasing policy for the procurement of goods and services. However, it does not have written guidelines or procedures for seeking competition for purchases that are not subject to competitive bidding requirements. While the 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 made pursuant to competitive bidding, the Board has not developed procedures to address these types of purchases. The purchasing agent has informed us that individuals within the District are aware that they should obtain three quotes for purchases below the bidding threshold. The purchasing agent told us that he does not ensure that quotes are obtained or purchases are made through a State or County contract prior to approving the purchase orders.

During the 2014-15 fiscal year, the District made purchases totaling \$685,193 from 67 vendors² that were between \$5,000 and \$19,999. We judgmentally selected for review the highest dollar purchase made from each of the 23 highest paid vendors totaling \$226,353. District officials did not obtain competitive quotations for purchases made from 10³ vendors totaling \$106,952. For example, the District did not obtain competitive quotations when purchasing musical equipment

¹ Purchases made through State or County contracts do not need to be competitively bid.

² We excluded payments to professional associations, employee reimbursements and proprietary education-related expenses from our population.

³ Included in this total is a purchase order for boiler repairs in the amount of \$12,635 that had an incorrect cooperative bid referenced on the purchase order at the time the purchasing agent approved it. Subsequent to the end of fieldwork, District officials provided documentation for the correct cooperative bid.

totaling \$16,698, including a piano for approximately \$15,000. District officials provided us with a sole source letter from the music equipment vendor when we inquired about competition. Although the Music Department may choose to purchase a particular brand, there are many brands of piano and possibly other suppliers of that specific brand. The remaining 13 purchases in our sample included six made under a State or County contract, six in which the District solicited at least three quotations and one in which it obtained two quotes.⁴

Because the Board and District officials did not develop and enforce written procedures for obtaining competitive quotations for goods and services not subject to competitive bidding, they do not have adequate assurance that the District is receiving the best price for the items it purchases.

Recommendations

District officials should:

1. Develop written procedures for making purchases that are not subject to the competitive bidding requirements.
2. Communicate purchasing procedures to all individuals responsible for making purchases.

The purchasing agent should:

3. Ensure that adequate actions have been taken in soliciting competition, or applicable contracts are used, prior to approving purchase orders.

⁴ The District contacted three vendors but only received two quotations for this purchase.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Michael P. Nagler, Ed.D., Superintendent of Schools

Superintendent's Office

121 Jackson Avenue, Mineola, New York 11501
phone: (516) 237-2001 • fax: (516) 237-2008
e-mail: mnagler@mineola.k12.ny.us
www.mineola.k12.ny.us

January 29, 2016

Mr. Ira McCracken, Chief Examiner
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788

Dear Mr. McCracken:

The Mineola School District would like to thank the Office of the State Comptroller for their time and effort in performing a detailed review of Competitive Quotations, specifically purchases within the range of \$5,000-\$19,999.

As was discussed with your staff during the exit interview, in absence of a formal written policy the District generally reverts to the higher standard of obtaining three quotes for every purchase. In fact, the auditors commended the District for its efforts in always attempting to obtain quotes even though Board policy is silent to the dollar thresholds for quotes. The majority of the sample taken (thirteen of the twenty-three), followed that guideline. The ten exception items noted in the Report each have an explanation but the District was remiss in attaching supporting documentation to the primary Purchase Order packet. However, rest assured that due diligence was taken before any of the purchases were made.

The purchase from [REDACTED] of a new piano is a perfect example. In purchasing terms, this was a Sole source purchase. This purchase was discussed by the Board of Education in public session several times. The District received verbal quotes from three companies and we decided to avoid shipping costs and purchased from the only local vendor that carried the brand we wanted. In addition, we received a credit for an old piano (no other dealer offered a credit). While we understand none of this was documented on the purchase order, the District certainly obtained the best price for the type of piano recommended to the Board by the District's Director of Fine and Performing Arts. Furthermore, upon request from the auditors, supporting documentation was provided.

We would also like to note that of the other nine exceptions mentioned, three were open purchase orders that had multiple charges against the purchase order. Three others referenced Cooperative Bids on the purchase orders and two other exceptions were deemed sole source purchases. We understand that the auditors could not confirm these assertions since the additional supporting documentation was not part of the original purchase order packet initially reviewed by the audit staff

The mission of the Mineola Union Free School District is to inspire each student to be a life-long learner, pursue excellence, exhibit strength of character and contribute positively to a global society.

Corrective Action Plan

The Superintendent and Board agree with the Auditors' recommendations and will develop written procedures for making purchases that are not subject to the competitive bidding requirements. The Assistant Superintendent for Finance & Operations will be the individual responsible for ensuring that this Action Plan be implemented during the 2015-16 fiscal year.

Secondly, we believe that the communication between the Purchasing agent and those doing the actual purchasing is already in place, but we will make the effort to further stress additional diligence.

Lastly, the Purchasing Agent will continue to stress the need for all supporting documentation to be attached to original purchase orders thereby having a complete purchasing packet available for Auditors' reviews.

Sincerely,

Michael P. Nagler, Ed.D.
Superintendent of Schools

Christine Napolitano
President
Mineola UFSD Board of Education

The mission of the Mineola Union Free School District is to inspire each student to be a life-long learner, pursue excellence, exhibit strength of character and contribute positively to a global society.

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials and employees to gain an understanding of the District's purchasing procedures.
- We reviewed the District's purchasing policy.
- We selected vendors that were paid at least \$5,000 during the 2014-15 fiscal year for materiality purposes. We used electronic cash disbursement data to determine the population of vendors who had total payments between \$5,000 and \$19,999. We selected the 23 vendors who were paid the highest dollar amounts from within our population. We then selected the purchase order with the highest dollar value for these vendors. These 23 purchase order payments totaled \$226,353.
- We reviewed each purchase order to determine whether District officials obtained written quotations 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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