



Poland Central School District Procurement

Report of Examination

Period Covered:

July 1, 2014 — September 30, 2015

2015M-355



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 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 Poland 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 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 Poland Central School District (District) is located in the Towns of Newport, Norway, Ohio, Russia, Salisbury and Webb in Herkimer 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 (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day District management under the Board's direction. The Board appointed the Business Manager as the District's purchasing agent and he is responsible for ensuring that the Board's procurement policies are implemented and that the District is in compliance with statutory procurement requirements.

The District operates two schools with approximately 600 students and 140 employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$13.5 million, which are funded primarily with State aid, real property taxes and grants.

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 their procurement policy and applicable statutes?

Scope and Methodology

We examined procurement procedures of the District for the period July 1, 2014 through September 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

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.

Procurement

General Municipal Law (GML) requires competitive bidding for purchases and public works contracts in excess of established dollar limits unless specifically exempted by GML.¹ GML also requires District officials to adopt written policies and procedures governing procurement for goods and services not subject to the competitive bidding requirements. One of the Board's responsibilities is to establish, implement, monitor and enforce compliance with its procurement policy. The use of competition provides taxpayers with assurance that goods and services are procured in the most prudent and economical manner, that goods and services of desired quality are being acquired at the lowest possible prices, and that procurement is not influenced by favoritism, extravagance, fraud or corruption.

The Board adopted a procurement policy in 1994 which was updated most recently in August 2015. In addition, the Board adopted regulations which supplement this policy and provide guidance on procurement methods for purchases that do not require competitive bidding, including the identification of specific dollar thresholds for when quotes should be obtained and, when required, the type of supporting documentation that should be attached to the claim before the payment is approved.

The District procured goods and services in accordance with its policy and the statutory requirements. We reviewed 40 purchases² totaling \$348,070 that were subject to competitive quotes in accordance with the District's procurement policy or were required by GML to be competitively bid. We found that two of these purchases were subject to bidding requirements. Instead of seeking competitive bids, District officials made these purchases from State contracts, which is an allowable exception to the requirement to seek competitive bids. For the remaining 38 purchases, officials were required to obtain quotes in accordance with the District's procurement policy. Except for minor discrepancies which we discussed with District officials, these purchases were made in accordance with the District's policy. We commend District officials for establishing and implementing an effective system to ensure goods and services were procured in accordance with their procurement policy and applicable statutes.

¹ GML generally requires bidding when an item or commodity group exceeds established dollar limits. Dollar thresholds require local governments to advertise for bids for purchase contracts that equal or aggregate to more than \$20,000, and public works contracts that equal or aggregate to more than \$35,000. Procurements exempt from competitive bidding include purchases made off State and County contracts, emergency purchases, sole source purchases, professional services and insurance.

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

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



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February 12, 2016

NYS Office of the State Comptroller

Division of Local Government and School Accountability

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The Poland Central School District is in receipt of the Comptroller's draft audit report of the District's procurement activities for the period commencing July 1, 2014 and ending September 30, 2015.

We have reviewed the report and concur with its findings. We take pride in what we do here at PCS and it was nice to hear that the audit went well. We are constantly looking for ways to improve our financial practices and we appreciate the valuable insight that was provided.

We would like to extend our appreciation to the Field Auditors and the staff involved with the examination of our financial operations. They were very professional and courteous while on-site at PCS. They took time to provide feedback to several different employees and to the Board of Education President. During the examination interruptions were kept to a minimum, the auditors were easy to talk to, and they answered any questions we had about the process.

On behalf of the Poland Central School District,

~Laura M. Dutton~
Superintendent of Schools

Chad S. Hess
School Business Manager

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed individuals regarding District procurement policies and procedures.
- We reviewed the procurement policy, Board meeting minutes and related District policies and procedures to gain an understanding of the District's procurement process.
- We judgmentally chose 40 purchases and reviewed requisitions, purchase orders, vouchers, vendor invoices, State contracts, county bids, co-operative agreements and written vendor agreements to determine if the purchases complied with the District's procurement policy.
- We reviewed vouchers to determine if aggregate purchases exceeded bid limits.
- We determined if the District adhered to its procurement policies and procedures and complied with GML's statutory requirements.

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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