

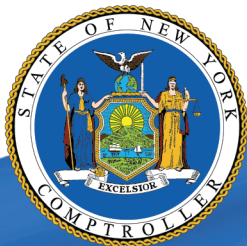
# Gananda Central School District

## Procurement

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OCTOBER 2021

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Gananda Central School District

### Audit Objective

Determine whether Gananda Central School District (District) officials used a competitive process to procure goods and services to achieve the optimal use of District resources.

### Key Findings

The Board did not ensure that purchases were adequately documented and approved to verify that a competitive process was used to procure goods and services and ensure the optimal use of resources.

- The Board and officials did not develop adequate purchasing policies and procedures.
- District officials did not adequately document that they properly sought required competition for purchases:
  - Subject to competitive bidding requirements totaling \$352,943.
  - Requiring quotes in compliance with purchasing policies, totaling \$88,240.
  - From 11 professional service providers totaling \$2.21 million.

### Key Recommendations

- Ensure the District has adequate policies and clear and consistent procedures for procurements not subject to competitive bidding, including professional services, and monitor for and enforce compliance with policies and procedures.
- Ensure that District officials adequately document compliance with competitive bidding statutes and purchasing policies and procedures.

District officials agreed with our recommendations and indicated they will take corrective action.

### Background

The District serves portions of the Towns of Walworth and Macedon in Wayne County. The District is governed by an elected seven-member Board of Education (Board) responsible for educational and financial affairs.

The Superintendent of Schools (Superintendent), along with other administrative personnel, is responsible for the District's day-to-day operations.

The Chief Finance and Operations Officer (Finance Officer) is the Board-appointed purchasing agent, responsible for overseeing the purchasing process and ensuring procurements are made in compliance with law and established policies and procedures.

#### Quick Facts

July 1, 2019 – December 31, 2020

**Total Purchases<sup>a</sup>** \$15.4 million

**Payments for Professional Services** \$1.1 million

a Excludes payroll, reimbursement, school tuition, tax and bond payments.

### Audit Period

July 1, 2019 – April 9, 2021

# Procurement of Goods and Services

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## How Should District Officials Procure Goods and Services?

A school board is responsible for overseeing financial activities and safeguarding resources. School districts are generally required to solicit competitive bids for purchase contracts in excess of \$20,000 and contracts for public work in excess of \$35,000. In lieu of soliciting bids, a district is authorized to make purchases using certain other publicly awarded government contracts, such as those by the New York State (NYS) Office of General Services (State contracts) or certain contracts awarded by other governments. For this exception to apply, the other government contract must be let in a manner consistent with NYS law and made available for use by other governmental entities. District officials are responsible for reviewing each proposed procurement to determine, on advice of the district's legal counsel as appropriate, whether the procurement falls within the exception. District officials should maintain appropriate documentation to demonstrate that the prerequisites were satisfied to support the decision to use this exception.

A board is required to adopt and annually review written policies and procedures governing the procurement of goods and services, such as professional services, that are not subject to competitive bidding requirements, to help ensure the prudent and economical use of public money and help guard against favoritism, improvidence, extravagance, fraud and abuse. In general, the procurement policy should require that alternative proposals for goods and services be secured through written requests for proposals (RFPs), written or verbal quotes or any other appropriate method of competitive procurement. The procurement policy may set forth circumstances or types of procurement for which solicitation of alternative proposals will not be in the district's best interest and should describe procedures for maintaining adequate documentation to support and verify the actions taken.

District officials should monitor compliance with purchasing procedures and documentation requirements and must retain purchasing files for at least six years after completion of the purchase or six years after final payment under contract, whichever is later.

## The Board and District Officials Did Not Develop Adequate Purchasing Policies and Procedures

The Board adopted a series of purchasing policies, regulations and supplemental purchasing procedures.<sup>1</sup> However, they were not adequate because they did not sufficiently address the procurement of professional services and contained

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“District officials should monitor compliance with purchasing procedures and documentation requirements...”

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<sup>1</sup> The purchasing policies included: 6700 Purchasing, 6710 Purchasing Authority, 6740 Purchasing Procedures and 6741 Contracting for Professional Services (professional services policy). The purchasing regulations included: 6700-R Purchasing Regulation, 6700-E.1 Purchasing Exhibit, 6700-E.2 Explanations of Other Methods of Competition to Be Used for Non-Bid Procurements.

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conflicting provisions. The professional services policy and purchasing manual require an RFP for professional service procurements, but do not provide sufficient detail on how RFPs will be evaluated, or the documentation required, such as justification when not selecting the highest-scored proposal. During the audit, the Board updated the professional services policy, but did not add any detail on the evaluation or required documentation of RFPs. In addition, the Board increased the minimum frequency of professional service RFPs to five years from four years. Further, the Board added vague language that allows for the indefinite extension of professional service contracts without competition (periodic RFPs) if it is determined to be in the District's "best interest". However, the Board did not define what the District's "best interest" is.

In addition, the various purchasing policies, regulations and procedures contained certain conflicting requirements, which often resulted in non-compliance with or differing interpretations of required procedures. For example, the purchasing regulation, purchasing exhibit and purchasing manual included different dollar thresholds and numbers of quotes required for purchases not subject to competitive bidding:

- The purchasing manual requires three verbal quotes for purchases ranging from \$101 to \$500 while the regulation and exhibit only require quotes for purchases over \$500.
- The purchasing manual requires at least four verbal quotes for purchases in the \$501 to \$1,000 range, but the purchasing exhibit only requires three verbal quotes, and the purchasing regulation does not specify the number of quotes required.
- The purchasing exhibit and manual require three written quotes for public works contracts in the \$5,001 to \$10,000 range, but the purchasing regulation only requires verbal quotes.

The Finance Officer told us that the procurement thresholds in the regulations and manual did not agree because the Board updated the regulations, but officials did not have time to update the manual due to the pandemic. However, the regulations were updated in April 2018, nearly two years prior to any disruptions from the pandemic. Also, the purchasing manual was available on the District's website for use by employees during the course of our audit. Furthermore, the Exhibit was updated and approved the same day as the regulation, but requirements did not all agree.

We also found inconsistencies in requirements for Board approval. For example, while the purchasing authority policy states that the purchasing agent is authorized to make purchases without Board approval when competitive bidding is not required by law, the professional services policy requires Board approval of all professional service procurements (for which competitive bidding is not

required). The professional services policy prudently places responsibility on the Board to oversee and approve the vendor selection for professional services which are often the most expensive services the District procures. However, rather than the Superintendent recommending the best-suited provider to the Board for approval, the Finance Officer has been approving most professional service contracts under \$35,000, citing the purchasing authority policy.

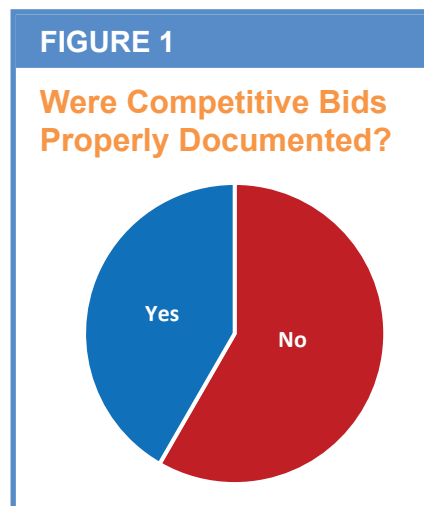
The lack of clear and consistent purchasing policies and procedures allows for varying interpretations and results in decreased assurance that goods and services are purchased at the best value to the District.

### Officials Did Not Always Document Compliance With Competitive Bidding Laws and Their Purchasing Policy Requirements

District officials did not ensure that purchases had adequate supporting documentation demonstrating that they were made in compliance with law and District policies, and that the District acquired the desired quality of goods and services at the lowest available cost. Despite detailed purchasing policy and regulation requirements for documentation and justification of all purchases and contract awards, we found insufficient documentation that officials properly sought competition for 48 purchases from 22 vendors totaling \$441,183.

Competitive Bidding – We reviewed a sample of 36 purchases totaling more than \$2.3 million, from 18 vendors, that were above competitive bidding thresholds.<sup>2</sup> We found that District officials did not maintain sufficient documentation demonstrating that they complied with competitive bidding requirements for 21 purchases (58 percent) from seven vendors totaling \$352,943 (Figure 1). These included payments for:

- Paving and sealing services totaling \$48,910 for which the Facilities Department obtained quotes (informal bids) instead of competitively bidding the services which aggregated over the \$35,000 bidding threshold within a 12-month period. The Director of Facilities told us they did not bid the purchases because they erroneously thought the purchases did not exceed bidding thresholds.



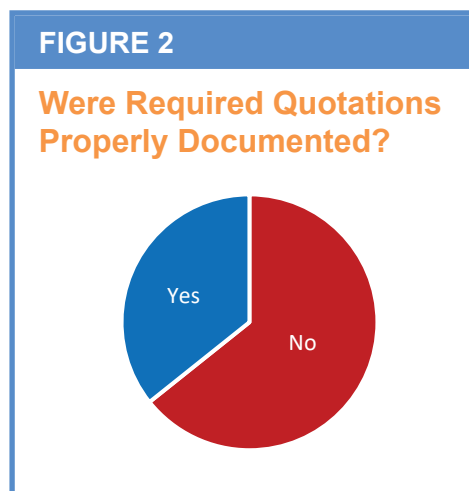
...[W]e found insufficient documentation that officials properly sought competition...

<sup>2</sup> See Appendix B Audit Methodology and Standards for details on sample selection.

- Stage curtains costing \$31,950, for which District officials claimed they used a sole source provider but did not provide policy-required documentation demonstrating why the specific curtains ordered were necessary and that comparable curtains were not available from other vendors. When we told the Finance Officer that we identified other stage curtain suppliers, she told us that the chosen vendor was the only one who could provide fire-resistant curtains. However, we identified another local vendor that sells custom fire-resistant stage curtains to schools.
- Purchases from two vendors totaling \$126,992 for an electronic sign and computer equipment made through group purchasing organizations (GPOs) without obtaining related bids and contracts or documenting efforts to ensure that the bid processes used for those contracts were consistent with NYS bidding requirements.

**Quotes** – We reviewed 42 purchases from 22 vendors with disbursements totaling \$153,075 that fell within purchasing policy thresholds requiring quotes.<sup>3</sup> We found that District officials did not maintain sufficient documentation demonstrating that they properly sought competition for 27 purchases (64 percent) from 15 vendors totaling \$88,240 (Figure 2). These included:

- Seven purchases totaling \$26,413 from four vendors, for which District officials could not provide documentation that competition was sought or that exceptions applied. For example, the District paid \$14,676 for administrative software, but did not document its procurement or vendor selection process. District officials told us they did not seek competition because this software was purchased as part of a grant but could not provide documentation that this specific software was required as part of the grant. Further, we were provided an email dated February 11, 2021 from an assistant principal involved with the purchase which stated his recollection was that at least three other platforms were considered. However, no documentation of the consideration of other platforms was available.



<sup>3</sup> See Appendix B Audit Methodology and Standards for details on sample selection.

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- Eight purchases totaling \$28,091 from four vendors, which District officials told us were sole source providers. However, officials did not maintain policy-required documentation demonstrating the unique benefits of the item or service purchased compared to other items or services available, that no other item or service provides substantially equivalent or similar benefits and that the cost of the item or service was reasonable.
  - Three purchases from three vendors totaling \$10,293 that District officials claimed were emergency purchases. While the District's purchasing policy and regulations do not require competitive bids in an emergency situation, the Board is required to pass a resolution stating that an emergency situation exists, and officials must document their efforts to purchase at the lowest possible costs. However, the Board did not pass resolutions declaring emergencies existed and officials did not document efforts made to obtain the lowest costs, as required.
  - Four purchases totaling \$17,933 from three vendors that were purportedly made using State contracts but were not clearly documented and supported. For example, District officials claimed that exercise equipment totaling \$7,788 was purchased using a State contract but they did not have the contract or price list to verify they purchased the items off a valid State contract. We obtained the price list from the Office of General Services (OGS) for the contract that the Finance Officer told us was used but we did not find the purchased items on the contract price list.

When District officials do not seek or document competition, they cannot assure taxpayers that purchases are made in the most prudent and economical manner, without favoritism.

### **Officials Did Not Always Document Competition When Procuring Professional Services**

We reviewed available documentation for 13 professional service providers<sup>4</sup> paid \$2.25 million. We found that District officials did not have adequate documentation showing that they properly sought competition and complied with related purchasing policies and procedures for services costing \$2.21 million (98

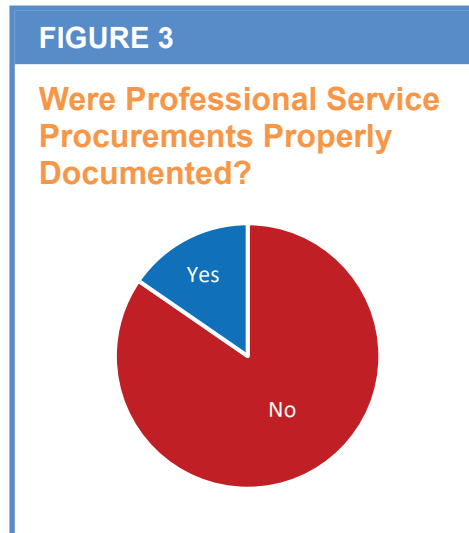
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<sup>4</sup> See Appendix B Audit Methodology and Standards for details on sample selection.



percent) procured from 11 providers (Figure 3).<sup>5</sup> The inadequately documented services included:

- One physical therapy provider paid \$9,188 for which officials did not issue RFPs.
- Five providers paid \$969,870 for which District officials did not issue RFPs in the past four years, as required by policy (Figure 4). The Finance Officer told us these procurements were based on previous RFPs, but did not retain and could not provide them because they were more than six years old. While we found some vague indications of when certain old RFPs were issued, we found no discussion or evidence of any RFP process for two vendors.



**Figure 4: Professional Services without RFP in the Last Four Years**

Type of Service	Year of Last RFP	Amount Paid
<b>Architect</b>	2006	\$421,088
<b>Construction Management</b>	2014	262,454
<b>Insurance</b>	Could Not Determine	209,884
<b>Financial Management</b>	Could Not Determine	46,986
<b>Legal</b>	2013	29,458
<b>Total</b>		<b>\$969,870</b>

- Four providers paid \$1.2 million, for internal and external auditing services and energy performance services, for which District officials did not adequately document and justify their evaluations of RFPs and vendor selection decisions.
- Payments totaling \$59,885 to a universal Pre-K provider, which District officials told us was the only available vendor but did not maintain the required sole source documentation.

<sup>5</sup> One vendor provided two different services, one of which was adequately documented.

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Further, we found no documentation that the Board approved the selection of 11 of the professional service providers paid \$1,108,307, as required by the professional services policy. Although the Board approved five that were annual service providers during reorganizational meetings, we found no evidence that the Board approved their initial selection (based on an RFP or otherwise). We also found May 2020 Board approval for the architect and construction management contracts specifically for the 2020 capital projects, which did not result from a competitive selection process. When competitive methods are not used to procure professional services, and approved by the Board, there is increased risk of: overpaying for those services, the appearance of favoritism or impropriety and the inability to assure taxpayers that procurements were made in the most prudent and economical manner.

### What Do We Recommend?

The Board should:

1. Revise the purchasing policies to include the documentation required when procuring professional services, procedures for evaluating and approving RFPs and limits on the extension of professional service provider contracts. Also ensure all purchasing-related policies are clear and support competition and do not conflict with other policies, regulations or procedures, and that officials timely update procedures to make them clear and consistent with related policies.
2. Ensure that officials and staff clearly document compliance with competitive bidding statutes and the District's purchasing policies and procedures and retain the documentation for at least six years after completion of the purchase or related contract.
3. Ensure that competition is sought for professional services and documentation is maintained to support the actions taken, determinations made and approval of professional service provider selections.

District officials should:

4. Obtain, document and retain verbal and written quotes as required by the District's procurement policy for goods and services below the competitive bidding threshold.
5. Review State and other government contracts and price lists to ensure that purchases are made according to the contracts and that all items purchased are included in the contract, and retain the contracts and documentation of the review, confirmation and approval of the vendor selection.

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...[W]e  
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# Appendix A: Response From District Officials



**Shawn Van Scoy, ED. D**  
Superintendent, GCSD

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**William Buchko**  
President, BOE

**PRACTICE SELF-CONTROL RESPECT OUTSTANDING UNITY DRIVEN**

October 1st, 2021

Office of the State Comptroller  
Edward V. Grant Jr., Chief Examiner  
The Powers Building  
16 West Main Street – Suite 522  
Rochester, New York 14614-1608

The Gananda Central School District is in receipt of the NYS Office of the State Comptroller audit report 2021M-86 with a focus on Procurement. The District views the audit as an opportunity to review, strengthen, and improve our procurement processes and ensure that clear and consistent procurement procedures are developed and followed.

The district acknowledges the validity of the audit report and is satisfied, given the length and depth of the examination, with the minimal findings and recommendations made. The district recognizes that some documentation was difficult or incapable of being located due to multiple office moves from recent capital improvement projects, and while operating under COVID-19 restrictions. The Board of Education and District Officials have a shared responsibility to safeguard school district assets, respond to district needs in a timely fashion, and will strive for continued transparency and fiscal responsibility while balancing the needs of school programs and community needs.

The Board of Education, with the assistance of District Administrators, is in the process of updating and revising many district procedures, including those related to procurement. The findings and recommendations will certainly be a key reference while policies and procedures are being reviewed. Upon further review and analysis, the District will develop a corrective action plan in response to the findings. This plan will be provided to your office at a later date.

Thank you again for your professionalism, flexibility and valuable feedback.

Sincerely,

Shawn Van Scoy  
Superintendent

## Appendix B: Audit Methodology and Standards

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We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and employees and reviewed policies and supplemental procedures and Board minutes to gain an understanding of the procurement process.
- We used our professional judgment to select a sample of purchases from 40 vendors who were collectively paid a total of \$2.5 million during our audit period, that were above the purchasing policy quote and competitive bidding thresholds. We reviewed the related purchase orders, invoices and purchasing documentation to determine whether officials obtained quotes in compliance with their procurement policy established per General Municipal Law (GML) section 104-b, made purchases through competitive bidding in compliance with NYS GML 103 or used exceptions to competitive procurement (e.g., State contract, group purchasing organization, cooperative contract, emergency purchases and sole source vendors) and documented the purchase decisions as required by District policy and GML. We also reviewed the purchases to determine whether they were properly approved. We followed-up with District officials and employees to discuss purchases that did not have adequate supporting documentation.
- To test the procurement of professional services, we reviewed the cash disbursements data to identify vendors that provided professional services. We selected all 13 professional service providers who were paid more than \$5,000 during our audit period with purchases totaling \$2.2 million and reviewed all purchases from those vendors to determine whether RFPs were issued to procure these services, and whether the selection process was adequately documented and Board approved. We followed-up with District officials to discuss professional service purchases that did not have adequate supporting documentation.
- We reviewed the available written agreements between the District and the 13 professional service providers and between the District and five contractors for capital projects to determine whether the District had written agreements and whether the agreements contained sufficient information (e.g., services provided, term, and compensation). We also reviewed the District's two highest payments (if more than one were available) to each of these providers - except for the internal and external auditors for which we reviewed all payments during the audit period - and the corresponding invoices, to assess whether the payments were made in accordance with the agreements.

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- We reviewed the change orders log and used our professional judgment to select a sample of 25 change orders. We reviewed the selected change orders, corresponding contracts, supporting documentation and Board minutes to determine if the change orders complied with competitive bidding requirements, were reasonable and were properly approved.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

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.

The Board has the responsibility to initiate corrective action. 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, 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. 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 CAP should be posted on the District's website for public review.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf)

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

### **Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

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### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

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