

# Canandaigua City School District

## Procurement

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NOVEMBER 2022

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

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# Report Highlights

## Canandaigua City School District

### Audit Objective

Determine whether Canandaigua City School District (District) officials competitively procured the facilities and transportation departments' goods and services.

### Key Findings

District officials did not always ensure the facilities and transportation departments' goods and services were competitively procured. District officials did not:

- Adequately seek competitive bids for purchases totaling \$172,760 made from three vendors.
- Comply with the District's procedures for purchases from 16 vendors totaling \$131,276 that were not subject to competitive bidding requirements.
- Adequately monitor purchases made from a New York State contract, resulting in \$2,182 being overpaid to the vendor.

### Key Recommendations

- Comply with statutory requirements and the District's procurement policy and procedures.
- Follow purchasing approval and documentation requirements.
- Monitor purchase contracts to ensure accuracy.

District officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

### Background

The District serves the City of Canandaigua and Towns of Bristol, Canandaigua, East Bloomfield, Farmington, Gorham, Hopewell and South Bristol in Ontario County.

The District is governed by an elected nine-member Board of Education (Board) that is responsible for the general management and control of the District's educational and financial 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 management under the Board's direction.

The facilities department is managed by the Director of Facilities and Operations (Director), and the transportation department is overseen by the Transportation Supervisor (Supervisor). Both officials are responsible for budget monitoring and purchasing in their respective departments.

#### Quick Facts

2021-22 General Fund Appropriations	\$79.3 million
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#### 2020-21 and 2021-22 Total Purchases

Facilities Department	\$3.14 million
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Transportation Department	\$1.18 million
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#### Purchases Reviewed

Facilities Department	\$1.62 million
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Transportation Department	\$0.40 million
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### Audit Period

July 1, 2020 – August 2, 2022

# Procurement

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## How Should a School District Procure Goods and Services?

New York State General Municipal Law (GML), Section 103 generally requires school districts to advertise for competitive bids when procurements exceed certain dollar thresholds. For example, school districts would generally advertise for purchase contracts exceeding \$20,000 and public works contracts exceeding \$35,000.

School district officials must determine whether individual or repetitive purchases (e.g., copy paper) will exceed the dollar threshold for purchase contracts when combined over a 12-month period. As an alternative, school districts may award purchase contracts on the basis of best value, as defined in New York State Finance Law, Section 163. This includes contracts for service work but excludes any purchase contracts that are necessary to complete a public works contract, according to New York State Labor Law, Article 8.

Officials should develop a written procurement policy that provides guidelines for staff to use to determine when they should use alternative proposals or quotations instead of competitive bidding. The policy also should require staff to maintain adequate documentation for all actions taken for each procurement method used, and guidance on monitoring contracts to ensure that the District is obtaining goods at the contracted price. When awarding a contract to a vendor that is not the lowest responsible dollar offeror, staff must ensure that the purchasing documentation clearly justifies when and why it is necessary.

Officials should ensure purchase orders (POs) are issued prior to the purchase of goods or services to ensure that the purchases are authorized and preapproved and that adequate funds are available. Blanket POs are issued to vendors for the routine purchase of similar goods on an as needed basis. Used correctly, blanket POs can greatly increase the efficiency of the purchasing process and reduce the number of transactions. However, the use of blanket POs should be carefully controlled with established limits, rules and procedures. Confirming POs, that are issued after goods or services have been ordered or received, should not be allowed except for emergency purchases because they circumvent the approval and price verification features of the normal purchasing process.

## District Officials Did Not Seek Competition When Procuring Facilities and Transportation Departments' Goods and Services

While the Board adopted the District's purchasing policy and procedures, neither provided adequate guidance for staff to follow when making aggregate purchases, such as defining when staff should use competitive bidding for these purchases. Additionally, the policy and procedures did not include guidance related to blanket POs, including defining instances when using blanket POs would be appropriate and providing guidance for staff to follow to adequately monitor blanket POs.

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Purchase orders... [should be] issued prior to the purchase of goods or services to ensure that the purchases are authorized and preapproved and that adequate funds are available.

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The District’s purchasing guidebook states that purchases of a particular service or commodity group greater than \$20,000 and public works contracts greater than \$35,000 should be competitively bid. For those purchases where competitive bidding is not required, the District has adopted the following guidelines:

- Purchases less than \$4,000 are to be made based on best value to the taxpayers;
- Purchases between \$4,001 and \$10,000 require three verbal quotes;
- Purchase contracts between \$10,001 and \$20,000 and public works contracts between \$10,001 and \$35,000 require three written quotes.

To determine whether the facilities and transportation departments used an appropriate procurement process to purchase goods and services, we reviewed purchases from 65 vendors totaling approximately \$2 million. Officials did not follow an appropriate competitive bidding process for purchases made from three of these vendors totaling \$172,760 (9 percent), as detailed below.

- The District solicited competition while procuring waste removal services from one vendor totaling \$91,576 through a request for proposals (RFP). However, this procurement process was inappropriate because competitive bids were required.
- The District did not seek competition for aggregate purchases of hardware supplies from two vendors totaling \$81,184. Additionally, we noted a third vendor from which the departments purchased similar products as from these vendors. However, this vendor had been awarded a New York State (State) contract. The purchases from the two vendors not under State contract were not competitively bid. District officials did not perform a cost-benefit analysis for these purchases and did not present any other documentation to show why they used these vendors instead of the State contract awarded vendor.

Furthermore, District officials could not demonstrate compliance with the District’s established alternative competitive procedures for purchases from 16 vendors totaling \$131,276 that were not subject to competitive bidding requirements (Figure 1).

**Figure 1: Purchases That Did Not Follow District Procedures**

Purchase Threshold	Requirements	Total Vendors	Total Amount
<b>Less than \$4,000</b>	Best Value	2	\$3,927
<b>\$4,001 - \$10,000</b>	Three Verbal Quotes	11	\$83,514
<b>\$10,001+</b>	Three Written Quotes	3	\$43,835
<b>Totals</b>		<b>16</b>	<b>\$131,276</b>

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For example,

- Two purchases from a roofing vendor totaling \$15,674 lacked supporting documentation that competition was sought or why they were exempt from competition.
- A purchase for sod turf totaling \$15,334 was made without first obtaining three written quotes.
- A purchase of lumber totaling \$4,568 was made without first obtaining three verbal quotes.

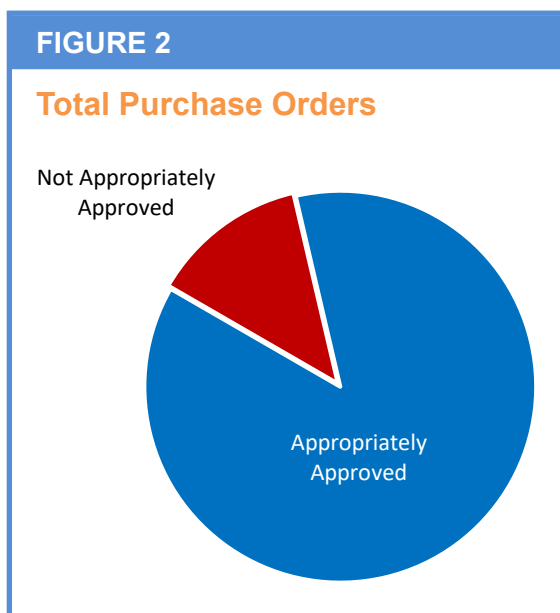
When District officials do not ensure that staff are following all applicable laws and District policies and procedures, they are unable to assure taxpayers that the District is procuring goods and services in the most prudent and economical manner.

### **District Officials Did Not Follow the District’s Purchase Approval Process**

District officials authorized certain spending limits through the issuance of blanket POs for certain vendors that are regularly used. The facilities department often exceeded the blanket POs’ authorized spending limits, which were subsequently increased after the purchase was made, creating a confirming PO. Although the purchasing agent approved the increases, this is a circumvention of the purchase approval process. Additionally, the use of blanket POs by the facilities department was also not always appropriate, as we identified blanket POs for structural supplies being used for equipment purchases that should have followed the purchasing requisition and approval process and received separate approval.

Of the 87 POs we reviewed totaling approximately \$2 million, the facilities department exceeded the spending limits for 28 POs totaling \$258,476 by \$79,255 (13 percent) (Figure 2).

By allowing blanket POs to exceed the approved spending limits, District officials lack assurance that available appropriations exist. Additionally, the use of confirming POs circumvents the approval and



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price verification process, increasing the risk that goods and services have not been obtained at the best possible price.

### **District Officials Did Not Receive a Correct Contract Discount**

The District used a State contract for some hardware-related purchases. However, because District officials do not monitor prices paid for purchases from the contract, they were not aware that they were not receiving the State contract's full discount. The contract stipulates a 7 percent discount on purchases, but the District is only receiving a 5 percent discount. Based on our review of 29 POs for this vendor totaling \$109,109 and our recalculation of the contract's stipulated discount, the District should have saved an additional \$2,182 had the appropriate discount been applied to its purchases. District officials were unaware of these potential savings until we brought them to their attention.

### **What Do We Recommend?**

District officials should:

1. Amend the District's purchasing procedures to include guidance regarding aggregate purchases, such as developing a process to identify when aggregate purchases exceed limits and defining when staff should use competitive bidding for these purchases.
2. Ensure compliance with competitive bidding laws and District policy and procedure requirements, including determining whether competitive bidding should be used for aggregate amounts that are expended for the same or similar type of goods or services.
3. Establish processes and procedures to limit confirming POs to emergency situations.
4. Ensure all required documentation (quotes, bids, approvals) is obtained/ approved prior to the creation of the PO.
5. Enforce spending limitations and authorizations.
6. Monitor and review purchases made under State and other government contracts to ensure that purchases are made in accordance with the awarded contracts, such as:
  - a. Similar/like purchases are made from awarded vendor(s).
  - b. All items purchased from the vendor are included in the contract(s).
  - c. The correct price is paid and/or discount(s) received.

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7. Seek reimbursement from the hardware vendor for the full discount the District was entitled to per the State contract, but did not receive, on eligible purchases.



# Appendix A: Response From District Officials

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**Canandaigua  
City School District**

**Jamie Farr**, Superintendent of Schools  
**Matthew Fitch**, Assistant Superintendent for Business  
**Brian Nolan**, Assistant Superintendent for Personnel  
**Matt Schrage**, Assistant Superintendent for Instruction

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November 4, 2022

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

Dear Mr. Grant:

The Canandaigua City School District is in receipt of the New York State Office of the Comptroller audit report 2022M-141 which focuses on Procurement spanning a scope area of July 1, 2020 through August 2, 2022. We would like to thank your staff for their professionalism and thorough review. We are pleased that there is no evidence of fraud, abuse or waste discovered in the extensive review process. The District views the feedback received from all audits as a way to improve practices.

The District prides itself on being transparent and fiscally responsible and we are committed to continuous improvement. The District is generally in agreement with the findings and with the recommendations made.

The District's Board of Education and leadership team continuously update policies and procedures including those related to procurement. The findings and recommendations will be helpful as we continue work in this area. The District will develop a corrective action plan in response to your findings and provide that document to your office at a later date.

Sincerely,

A blue handwritten mark resembling a stylized 'J' or a flourish, positioned to the right of the word 'Sincerely,'.

A blue handwritten mark resembling a stylized 'J' or a flourish, positioned above the name 'Jamie Farr'.  
Jamie Farr  
Superintendent of Schools  
Canandaigua City School District

# 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 to gain an understanding of the District's procurement process.
- We reviewed the Board meeting minutes to determine the Board's role in authorizing/approving vendors and purchases.
- We reviewed and evaluated the District's purchasing and credit card policies and procedures.
- We obtained vendor payment history reports for the 2020-21 and 2021-22 school years. We sorted the reports by the facilities and transportation departments' account codes and totaled vendor payments made from each department.
- We reviewed 87 POs totaling approximately \$2 million for adequate supporting documentation, approvals and authorizations, and whether appropriate competition was sought as required by law or District procedures, or purchased through State or other government contract:
  - We used our professional judgment and the District's purchasing procedures to select payments to review totaling \$1.88 million made to 59 vendors during the period July 1, 2020 through June 30, 2022. We chose to review these payments based on the District's purchasing thresholds and competitive bidding thresholds, including: highest four vendors (5 percent) with aggregate purchases that were less than \$4,000, highest 15 vendors (10 percent) with aggregate purchases between \$4,001 and \$10,000, highest 21 vendors (25 percent) with purchases between \$10,001 to \$20,000, and all 18 vendors (100 percent) with aggregate purchases of \$20,000 or greater for purchase contracts or \$35,000 or greater for public work contracts.
  - We also reviewed all credit cards from six vendors used by the facilities and transportation departments, 15 facilities and/or transportation department credit card POs, totaling \$139,424, from the 2020-21 and 2021-22 school years.
- We reviewed all purchases made from a State contract vendor for 2020-21 and 2021-22 totaling \$109,109. We calculated the original price of the purchases and recalculated the discount savings using the correct rate per the contract.

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

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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

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

### **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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