

Delaware-Chenango-Madison- Otsego Board of Cooperative Educational Services

Procurement

FEBRUARY 2022



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

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Report Highlights

Delaware-Chenango-Madison-Otsego Board of Cooperative Educational Services

Audit Objective

Determine whether the Purchasing Agent ensured that goods and services were procured in accordance with the Delaware-Chenango-Madison-Otsego Board of Cooperative Educational Services (DCMO BOCES) purchasing policy and procedures.

Key Findings

The Purchasing Agent did not ensure that goods and services were procured in accordance with the purchasing policy and procedures.

- We reviewed 22 purchases and found seven purchases totaling \$49,300 where competition was not sought, as required by the Board-adopted policy. The Purchasing Agent could not provide documentation to support efforts were made to obtain the best price.
- None of the 10 professional service providers we reviewed with payments totaling \$250,200 were evaluated every three years, as required by the Board-adopted policy.

Key Recommendations

- Ensure quote documentation is obtained and retained as required.
- Ensure evaluations of professional service providers are performed as required.

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

Background

DCMO BOCES primarily provides educational services to 16 component school districts and is governed by a seven-member Board of Education (Board) elected by the boards of the component school districts.

The Board is responsible for the general management and control of financial and educational affairs. The District Superintendent (Superintendent) is the chief executive officer, responsible, along with other administrative staff, for the day-to-day management and regional planning and coordination.

The Board appointed the Director of Finance as the Purchasing Agent responsible for ensuring goods and services are procured in compliance with the Board-adopted policy and procedures.

2020-21 Quick Facts

Non-Payroll Expenditures	\$6.8 million
Professional Service Providers	49
Purchases Reviewed Requiring Quotes	
Number	22
Amount	\$168,200
Professional Service Providers Reviewed	
Service Providers	10
Amount	\$250,200

Audit Period

July 1, 2020 – August 31, 2021

Procurement

How Should a Purchasing Agent Ensure Goods and Services Are Procured In Accordance With Written Policies and Procedures?

A board is required to adopt written policies and procedures governing the procurement of goods and services not subject to competitive bidding requirements, such as professional services, to help ensure the prudent and economical use of public funds in the taxpayers' best interest and help guard against favoritism, improvidence, extravagance, fraud and abuse. Advertising a request for proposals (RFPs) or obtaining written or verbal quotes are effective ways to ensure that goods and services of maximum quality are acquired at the lowest possible cost or best value.

The Board-adopted purchasing policy requires employees to solicit competition for purchases exceeding \$2,000 but less than \$20,000 through verbal or written quotes. Specifically, the policy's procedures require employees to obtain three documented verbal quotes for purchases exceeding \$2,000 but not exceeding \$5,000 and three written quotes for purchases exceeding \$5,000 but less than \$20,000 (for purchase contracts) or \$35,000 (for public works contracts).

Additionally, the policy designates the Purchasing Agent as responsible for the general supervision of the purchasing process, including ensuring compliance with Board policy and procedures. Therefore, the purchasing agent should ensure staff involved in purchasing, appropriately solicit competition by obtaining quotes or proposals.

Further, the policy states that the procurement of professional services, which are services that require specialized skills and/or training such as legal, medical, auditing, property appraisal or insurance services, will be based on the judgment of department supervisors. Further, the policy requires that department supervisors evaluate their professional service providers once every three years to determine whether the service is cost-effective, meeting DCMO BOCES' needs and submit these evaluations to their management supervisors.

The Purchasing Agent Did Not Ensure Goods and Services Were Procured In Accordance With the Board-adopted Policy and Procedures

The Purchasing Agent was responsible for reviewing supporting documentation, such as verbal and written quotes, RFPs, and justifications for not seeking competition (e.g., emergency purchases and sole source vendor determinations) before purchases were made.

... [T]he policy designates the Purchasing Agent as responsible for the general supervision of the purchasing process. ...

We reviewed 22 purchases totaling \$168,200 that required documented verbal or written quotes.¹ Seven of the 22 purchases totaling almost \$49,300 did not contain documentation to show that the Purchasing Agent obtained the required quotes or solicited competition for the purchases.

The Purchasing Agent was unable to provide us with documentation showing his justification for not seeking competition for these purchases. He told us he relied on the employee placing the order to seek competition as required and obtain and retain the required documentation. These purchases were for a print services contract totaling \$13,500, 450 notebook cases totaling \$11,500, two software programs totaling \$13,800, 125 tools totaling \$4,600, 22 defibrillator batteries totaling \$3,200 and four electrostatic sprayers and backpacks totaling \$2,700.

We performed Internet searches for comparable goods and prices and found two of the seven purchases were available from other vendors. While the notebook cases were more expensive, the defibrillator batteries purchased for \$144 each were approximately \$96 each from another vendor, which may have saved DCMO BOCES more than \$1,000 on those 22 items.

The Purchasing Agent Did Not Ensure Professional Service Providers Were Reviewed Every Three Years as Required

Although the department supervisors were required to submit the professional service provider evaluations to their management supervisors (either the Superintendent, Assistant Superintendent for Instructional Services, Director of Services or Director of Finance), the Purchasing Agent did not request or review the documentation to ensure that the evaluations were completed as required. The Purchasing Agent told us he was unaware that the professional service providers had to be evaluated.

We reviewed 10 professional service providers who provided services to DCMO BOCES in either 2020-21 or 2021-22 with payments totaling more than \$250,200. These services included auditing, physical therapy and legal counsel. DCMO BOCES officials have been obtaining services from these 10 providers ranging from three to 18 years without benefit of a required three-year evaluation.

The Superintendent told us that he did not recall professional service evaluations being done in the six years he has been with DCMO BOCES and that most of the department and management supervisors are newer staff and did not know they were required to do this.

Seven of the 22 purchases totaling almost \$49,300 did not contain documentation to show that the Purchasing Agent obtained the required quotes or solicited competition for the purchases.

The Superintendent told us that he did not recall professional service evaluations being done in the six years he has been with DCMO BOCES. ...

¹ Refer to Appendix B for information on our methodology.

When the Purchasing Agent does not ensure competition is solicited, required professional service provider evaluations are performed and policy requirements are not effectively communicated to responsible staff, DCMO BOCES officials cannot be sure that goods and services are purchased in the most prudent and economical manner, without favoritism.

What Do We Recommend?

The Purchasing Agent should:

1. Ensure that quotes are obtained, documented, submitted with purchase orders and retained as required by the Board-adopted policy and procedures.
2. Ensure that department supervisors are aware of the Board-adopted policy requirements to perform professional service provider evaluations every three years and submit the evaluations to their management supervisors.
3. Review the quotes and professional service evaluations submitted as required by the Board-adopted policy and procedures to ensure that the documentation is adequate prior to approving the purchases.

Appendix A: Response From BOCES Officials



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February 2, 2022

Ann C. Singer, Chief Examiner
Binghamton Regional Office
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Unit Name: Delaware-Chenango-Madison-Otsego (DCMO) BOCES
Audit Report Title: Procurement
Audit Report Number: 2021M-193

Dear Chief Examiner Singer,

The DCMO BOCES is in receipt of the NYS Office of the State Comptroller Audit 2021M-193, for the audit period of July 1, 2020 through August 31, 2021 with a focus on procurement. DCMO BOCES would like to thank the local field staff and the Comptroller's Office for their professionalism and courteousness while performing this audit during the Covid-19 pandemic.

The DCMO BOCES audit response will also serve as our Corrective Action Plan. While we agree substantially with the findings of the Audit Report, we want to point out that we feel that staffing turnover, along with pandemic absences contributed to the findings. Additionally, price checks and availability of commodities after the purchase date, may not be comparable to prices and availability at the time of purchase, and we believe that the amounts paid were fair and reasonable at the time of purchase. However, we realize that it is the responsibility of BOCES to provide such purchasing documentation.

Corrective Action Plans and Implementation Dates:

Audit Recommendation:

1. Ensure that quotes are obtained, documented, submitted with purchase orders and retained as required by the Board-adopted policy and procedures.
2. Ensure that department supervisors are aware of the Board-adopted policy requirements to perform professional service provider evaluations every three years and submit the evaluations to their management supervisors.
3. Review the quotes and professional service evaluations submitted as required by the Board-adopted policy and procedures to ensure that the documentation is adequate prior to approving the purchases.

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Implementation of Plan:

1. We are currently reviewing our purchasing policies in conjunction with the OSC Procurement Audit. BOCES will place an emphasis on following our policies as approved by the Board of Education. Our Purchasing Agent will require documentation to demonstrate that quotes are obtained, and purchasing policies are followed. Such documentation shall be retained based upon NYS Archival retention schedules.
2. DCMO will notify department supervisors that our Board Policy requires an evaluation of professional service providers every three years, and such evaluations are to be submitted to their Director or supervisor.
3. Directors or Supervisors will review professional service evaluations prior to purchase of said service to ensure the documentation is adequate prior to approving a service purchase.

Implementation Date: The BOCES and its Board will review the new policy and procedures by June 30, 2022 with implementation on July 1, 2022.

Person Responsible for Implementation: Purchasing Agent, in conjunction with the Board Audit Committee.

Respectfully Submitted,

Petry T. Dewey, III, District Superintendent
Delaware-Chenango-Madison-Otsego BOCES

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**Resolution Authorizing and Filing of Corrective Action Plan
Recommendations to Office of State Comptroller Audit of 2021
RES2022-02R-163**

BE IT RESOLVED, that the DCMO BOCES Board of Education by Resolution does hereby adopt and approve Corrective Action Plan recommendations by the DCMO BOCES Business Manager, with approval by Auditors, D’Arcangelo, for the Delaware-Chenango-Madison-Otsego BOCES 2021 Corrective Action Plan as a result of the Audit, and to place on file with the Office of State Comptroller Regional Office in Binghamton, NY within 30 days of receipt, and with the New York State Education Department within 90 days.

RESOLVED, that this resolution shall take effect immediately.

Motion to move to Adopt Resolution Authorizing and Filing of Corrective Action Plan for 2021 Audit by the Office of the State Comptroller:

Dated: February 2, 2022

Motion by: Cindy O'Hara
Second by: Dave Cruikshank
Yes: 6
No: 0
Absent: 1



Appendix B: Audit Methodology and Standards

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 DCMO BOCES officials and employees and reviewed Board minutes, the purchasing policy and procedures to gain an understanding of the purchasing processes, procedures and requirements.
- We used our professional judgment to select a sample of 10 purchases from 636 non-payroll disbursements totaling over \$2 million that were between \$2,000 to \$5,000 and 10 purchases from 499 non-payroll disbursements totaling \$4.8 million exceeding \$5,000 and less than \$20,000 that required quotes, for a total sample of 20 purchases totaling over \$160,500 that would most likely require written or verbal quotes and not bids when aggregated. We reviewed the purchase orders, invoices and purchasing documentation to determine whether officials obtained quotes in compliance with the purchasing policy and written procedures. We also performed Internet searches for the purchases that did not have quotes to determine whether officials could have obtained the goods and services for less.
- We used our professional judgment to select a sample of four months of credit card statements for our audit period based on higher credit card payments during the selected months. We reviewed the credit card statements for the two card purchases totaling nearly \$7,700 that met the purchasing policy thresholds requiring quotes. We reviewed the purchase orders, invoices and purchasing documentation to determine whether officials obtained and documented quotes in compliance with the purchasing policy and procedures.
- We used our professional judgment to select 10 professional service providers from 49 providers who contracted with DCMO BOCES during the audit period. We selected those providers who provided services to DCMO BOCES for three years or more to determine whether those providers were evaluated within the last three years in compliance with the purchasing policy and written procedures.

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 DCMO BOCES' website for public review.

Appendix C: Resources and Services

Regional Office Directory

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

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

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

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

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

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

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

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

Contact

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