

Lynbrook Union Free School District

Purchasing

APRIL 2022



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

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Report Highlights

Lynbrook Union Free School District

Audit Objective

Determine whether the Lynbrook Union Free School District (District) purchasing agent ensured staff followed the District's purchasing policy for goods and services not subject to competitive bidding.

Key Findings

The purchasing agent did not ensure purchases adhered to the District's purchasing policy for goods and services not subject to competitive bidding. As a result, the purchasing agent approved 17 purchases totaling \$150,962 without knowing whether the purchases were a prudent and economical use of taxpayer money, and in the District's best interest. For example, the purchasing agent:

- Approved seven purchases totaling \$71,141, as sole source, which precludes them from competition, without confirming the purchases met the District's sole source requirements.
- Did not seek or ensure competition was sought for three additional purchases totaling \$18,936.

Key Recommendations

- Ensure all sole source purchases are adequately supported and have no possibility of competition.
- Obtain and review necessary and sufficient documents for all purchases prior to issuing purchase orders, particularly if no quotations were obtained.

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

Background

The District, located in the Town of Hempstead in Nassau County, is governed by a seven-member Board of Education (Board).

The Board has designated the Assistant Superintendent for Finance, Operations and Information Technology as the purchasing agent.

The purchasing agent is responsible for administering all purchasing activities and issuing purchase orders for all purchases not subject to competitive bidding.

Quick Facts

Purchases Not Subject to Competitive Bidding

| | |
|-----------------|------------------|
| 2019-20 | \$545,561 |
| 2020-21 | \$383,919 |
| Total | \$929,480 |
| Reviewed | \$222,299 |

Audit Period

July 1, 2019 – June 30, 2021

Purchasing

How Should Goods and Services Not Subject to Competitive Bidding Be Purchased?

New York State General Municipal Law (GML) Section 104-b requires school districts to adopt internal policies and procedures governing all purchases of goods and services not subject to competitive bidding requirements.

According to the District's adopted purchasing policy, goods and services which are not required to be competitively bid should be procured in a manner that ensures the prudent and economical use of public money, and is in the taxpayers' best interest.

District policy requires three documented verbal quotations for purchases from \$5,000 to \$10,000 and three written quotations for purchases in excess of \$10,000 up to \$20,000, which is the threshold for competitive bidding. Individual and aggregate purchases exceeding \$20,000 (\$35,000 for public works) in a 12-month period must be competitively bid.

The policy also states that quotations are not required for purchases when using a government or other political subdivision contract, or for which there is no possibility of competition (sole source items). When there is only one possible source from which to procure goods or services, the District must maintain documentation:

- Of the unique benefits of the items or services available when compared to other items or services available,
- That no other item or service provides substantially equivalent or similar benefits, and
- That, considering the benefits received, the cost of the item or service is reasonable.

The documentation should provide that there is no possibility of competition for the procurement of the goods.

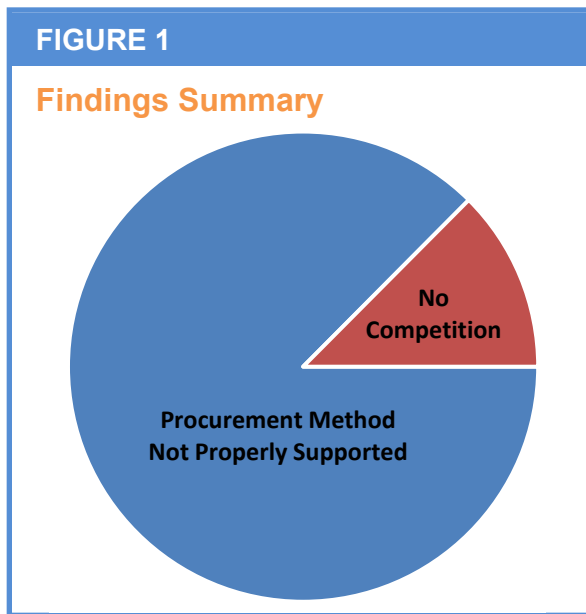
Requisitions Lacked Required Supporting Documents

Purchases originate from various District departments via a requisition form. The department head approves the purchases after staff obtain the necessary written or verbal quotations, or use alternative purchasing options like bids, government contracts or sole source with a reference on the requisition form.

The purchasing agent told us he reviews the requisitions to ensure the correct budget codes are used, there are sufficient funds available, and the items purchased are appropriate. He then approves the requisition in the financial software and it becomes a purchase order with his electronic signature.

We reviewed 24 purchases totaling \$222,299 that were not subject to competitive bidding and found all were made with purchase orders approved by the purchasing agent. Seven of these purchases totaling \$71,337 (32 percent) had sufficient documentation to support the method of purchase, while the remaining 17 totaling \$150,962 did not (Figure 1). We found:

- The purchasing agent approved seven purchases, identified by District staff as having only one source, totaling \$71,141 (32 percent). Officials did not comply with the District’s procurement policy by documenting how the procurements qualify as sole source. The following was not documented:
 - The unique benefit of the items or services when compared to other items or services available,
 - How no other items or services provide similar benefits,
 - How the costs were reasonable considering the benefits received, and
 - That there was no possibility of obtaining competition as required by the policy.



For example, a \$13,125 purchase of laptop cases with the District’s logo was supported with a sole source letter from the vendor stating that these custom cases were not available through another United States vendor or distributor, but contained none of the other required support. The purchasing agent qualified this purchase as sole source because officials deemed the quality of other replacement cases as unacceptable and he relied on the vendor’s statement that the vendor’s company was the only company that could provide the laptop cases. However, the purchasing agent could not provide documentation to support the replacement cases were of better quality. We completed an Internet search, which found several other vendors that provide customized laptop cases.

- Seven purchases totaling \$60,884 (27 percent) lacked sufficient documentation to support the purchase method used (government contract or competitive bid). However, after we requested documentation, the District was able to provide it for all seven purchases. For example, a \$4,385

purchase of school supplies (\$12,130 total was spent on school supplies in 2020-21) made off of a State contract had nothing attached to support items on the purchase order were included in the contract or that the goods were priced in accordance with the contract. We obtained the referenced contract off the State website, and the District provided us with the catalog used. Using this information, we confirmed the District correctly procured all of the school supplies.

- The District made three purchases totaling \$18,936 (9 percent) without seeking any competition or documenting why competition was not necessary. For example, the District paid \$11,208 for blueprint scanning and archiving services solely because its architect recommended the vendor. The Director of Facilities told us they used the vendor because it was a trusted vendor that many other school districts use.

The lack of adequate documentation occurred because the District's policy did not require the individual departments to send the purchasing agent supporting documentation along with the requisition. The purchasing agent did not ask for supporting documentation because he trusted that the departments did their due diligence when making purchases. While it is acceptable to delegate certain responsibilities, the District's purchasing policy states the purchasing agent is responsible for administering all purchasing activities and issuing purchase orders. Therefore, before approving purchases, the purchasing agent must ensure supporting documents are obtained and attached to purchase orders to ensure compliance with this policy.

Because the purchasing agent did not ensure the supporting documents were attached prior to approving requisitions, 17 purchases not subject to competitive bidding totaling \$150,962 lacked required documents or justification at the time of approval to show how the purchases were a prudent and economical use of taxpayer money, and in the District's best interest.

What Do We Recommend?

The Board should:

1. Update the District's purchasing policy to require department heads to forward the purchase requisition and supporting documentation to the purchasing agent when making purchases.

The purchasing agent should:

2. Ensure all purchases identified as sole source contain the necessary documents required by the District's purchasing policy and are purchases for which there is no possibility of competition.

The District made three purchases totaling \$18,936 (9 percent) without seeking any competition. ...

-
3. Verify all necessary and sufficient support required by the District's purchasing policy is obtained, prepared and reviewed prior to issuing purchase orders, particularly if no verbal or written quotations are obtained.

Appendix A: Response From District Officials

District officials included attachments to support their response. We did not include these attachments in the final report, as their response was sufficient to indicate their intentions.



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March 28, 2022

Mr. Ira McCracken
Chief Examiner
Hauppauge Regional Office
Office of the New York State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

Dear Mr. McCracken:

This letter serves as the Lynbrook Union Free School District's combined audit response and corrective action plan regarding the Report of Examination 2022M-17. While the District agrees with the overall findings, we would like to note the issue presented is primarily one of insufficient documentation rather than a deficiency in controls. In fact, there is a historical context that is essential to understanding the findings as well as the District's response to those findings.

The use of a vendor provided "sole source letter" has been deemed the appropriate documentation for sole source purchases for almost 15 years, most notably these letters have suited the bimonthly claims audit process that is conducted before any checks are mailed out. The District was made aware of the deficiency of this form of documentation by its internal auditor in a report dated September 25, 2020 to which the District responded that it would "consult with legal counsel regarding acceptable proof of sole source procurement." District counsel developed a "Sole Source Certification" document requiring sole source vendors to attest to their sole source status in lieu of the traditional sole source letter (see Attachment A). This document was implemented for use effective July 1, 2021, the beginning of the current fiscal year.

The NYSOSC audit for which this report was written commenced on July 12, 2021, two weeks into the current fiscal year. The audit period for this report partially encompassed the same period examined by our internal auditors and relied on some of the same purchases in its audit sample, thus duplicating findings uncovered by the internal auditor. Therefore, the District would like to note that it was in the process of remediating this issue when the state's purchasing audit was conducted. In fact, the Business Office started asking departments to use the form developed by its attorney as the state auditors arrived.

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During the field work of the NYSOSC purchasing audit, the Business Office provided the Sole Source Certification drafted by counsel that was put into use to address the internal auditor's finding. The members of the on-site audit team noted this document still relies on the vendor to attest to the sole source status of an item and indicated Lynbrook Board of Education Policy 6700 clearly puts the burden of the certification of sole source status on the district, not the vendor. As a result, the Business Office developed a "Sole Source Determination Memo" (see Attachment B) that will be proposed to the Board of Education Policy Committee to become an exhibit to Policy 6700. It is proposed that this document, completed by the department submitting the purchase requisition, must accompany all sole source items before any sole source purchase order is approved.

We thank you for providing the opportunity to present a broader context for these audit findings. We will be presenting the attached Corrective Action Plan for Board of Education approval.

Sincerely,

Melissa Burak, Ed.D.
Superintendent of Schools

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Corrective Action Plan

Unit Name: Lynbrook Union Free School District
Audit Report Title: Lynbrook Union Free School District Purchasing
Audit Report Number: 2022M-17

Audit Recommendation One

Recommendation:

The Board should update the District's purchasing policy to require department heads to forward the purchase requisition and supporting documentation to the purchasing agent when making purchases.

Implementation Plan of Action:

The Policy Committee of the Board of Education will revise Policy 6700 to include language requiring supporting documentation to be forwarded to the purchasing agent before approval of the purchase order. The Board of Education will also adopt the attached Sole Source Determination Memo as an exhibit to Policy 6700 and require its submission to the purchasing agent for all sole source items prior to the approval of the purchase order.

Implementation Date:

July 2022

Person Responsible for Implementation:

Superintendent of Schools

Audit Recommendation Two

Recommendation:

The purchasing agent should ensure all purchases identified as sole source contain the necessary documents required by the District's purchasing policy and are purchases for which there is no possibility of competition.

Implementation Plan of Action:

The purchasing agent has already begun to implement the Sole Source Determination Memo template with department heads in advance of its formal adoption by the Board of Education.

Implementation Date:

March 2022

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Person Responsible for Implementation:

Assistant Superintendent for Finance, Operations, and Information Systems

Audit Recommendation Three

Recommendation:

The purchasing agent will verify all necessary and sufficient support required by the District's purchasing policy is obtained, prepared and reviewed prior to issuing purchase orders, particularly if no verbal or written quotations are obtained.

Implementation Plan of Action:

The Assistant Superintendent will work with the Accounts Payable Senior Account Clerk and the departments to evaluate appropriate supporting documentation for all purchases. This documentation will be required to be attached to the purchase requisition in WinCap before the purchase order is approved. The scanning and attaching of the documents will require training for those initiating purchase requisitions at the schools and departments. This training will commence with the new school year.

Implementation Date:

September 2022

Person Responsible for Implementation:

Assistant Superintendent for Finance, Operations, and Information Systems

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 the purchasing agent and accounts payable clerk to gain an understanding of the purchasing process.
- We reviewed policies and procedures to determine whether they were adequate.
- We determined the population for purchases not subject to competitive bidding between July 1, 2019 and June 30, 2021 by excluding payments for utilities, payroll, personnel benefits disbursements, professional services, reimbursements to individuals, established textbook publishers, payouts for special education services, credit card payments, shipping vendors, professional society memberships, religious institutions, vendors that were paid less than \$5,000 and excess of \$20,000 in a single year, and payments to the District's official newspaper. We identified 644 purchases totaling \$929,480.
- Using our professional judgment, we selected 24 purchases totaling \$222,299 (24 percent) from the population to determine whether the District complied with its policies and procedures and obtained the required quotations, or had documented justification otherwise.
- For each purchase in our sample, we reviewed corresponding purchase orders to determine whether they were approved by the purchasing agent, and whether staff obtained verbal or written quotations, as appropriate, based on the dollar thresholds.
- When no quotations were obtained, we reviewed supporting documents to determine whether the purchase was identified as sole source or procured using a bid or government contract and, if applicable, followed up with appropriate District staff to determine how they justified not obtaining any quotations or using a bid or contract.
- If the District deemed purchases sole source, we performed Internet searches to determine whether other vendors provided similar services and reviewed the claims packet to determine whether the purchasing department documented the unique benefits of the items or services purchased when compared to other available items or services.
- If purchases were made from bids or government contracts, we determined whether sufficient documents were attached to the claims packet to confirm that the District received the correct pricing. In instances where sufficient documents were not attached to the claims packet, we followed up with District officials to obtain them.

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

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

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