

Newark Valley Central School District

Procurement

JUNE 2022



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

Contents

- Report Highlights 1**

- Procurement 2**
 - How Should School District Officials Seek Competition for Goods and Services Not Subject to Competitive Bidding? 2

 - Officials Did Not Always Seek Competition When Procuring Goods and Services 2

 - What Do We Recommend? 4

- Appendix A – Response From District Officials 5**

- Appendix B – Audit Methodology and Standards 8**

- Appendix C – Resources and Services 9**

Report Highlights

Newark Valley Central School District

Audit Objective

Determine whether Newark Valley Central School District (District) officials used a competitive process to procure goods and services not subject to competitive bidding.

Key Findings

District officials did not always seek competition for the purchase of goods and services not subject to competitive bidding. As a result, goods and services may not have been procured economically and in the best interest of taxpayers. We reviewed 30 purchases totaling \$200,012 and expenditures for five professional service vendors totaling \$171,446 and found that officials did not:

- Seek competition for 13 purchases of goods and services totaling \$44,401.
- Compare billed prices to the awarded contract prices and overpaid for cleaning supplies by \$1,532. As a result of our audit, officials obtained a credit for this amount from the vendor.
- Seek competition for four of five professional service providers paid \$133,346 during our audit period.

In addition, policies and procedures were inadequate and did not help ensure officials sought competition for goods and services.

Key Recommendations

- Seek competition when procuring goods and services.
- Compare billed prices to awarded contract prices to ensure the District is billed the correct rates.
- Update the procurement policy and related procedures to include detailed guidance for procuring goods and services at all levels not subject to competitive bidding.
- Establish reasonable intervals to use a request for proposal (RFP) process to obtain proposals for professional services.

District officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate corrective action.

Background

The District serves five towns in Tioga, two towns in Broome, two towns in Cortland and one town in Tompkins counties.

The District is governed by an elected seven-member Board of Education (Board) that is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the chief executive officer and is responsible, along with other administrative staff, for the day-to-day management under the Board's direction.

The District contracts with the Broome-Tioga Board of Cooperative Educational Services (BOCES) for Central Business Office operations. The purchasing agent, claims auditor and treasurer are BOCES employees and, along with the Business Administrator, are responsible for the District's purchasing activities including monitoring purchasing agreements and enforcing procurement policies and procedures.

Quick Facts

For the General Fund	
2020-21 Appropriations	\$25.9 million
Purchases and Professional Services Expenditures Reviewed	\$371,458
2020-21 Non-Payroll Expenditures	\$11.2 million

Audit Period

July 1, 2020 – November 30, 2021

Procurement

How Should School District Officials Seek Competition for Goods and Services Not Subject to Competitive Bidding?

School districts are required to adopt written policies and procedures governing the purchase of goods and services not subject to competitive bidding requirements. Goods and services must be procured in a manner that ensures the prudent and economical use of public funds in the taxpayers' best interest and to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost or best value basis.

Using an RFP process to obtain proposals promotes competition in professional services, where price should not necessarily be the sole criterion for awarding a contract. An RFP generally documents a detailed type of service to be provided including minimum requirements and, where applicable, the evaluation criteria that will govern the contract award. An RFP can provide a mechanism to help ensure that these contracts are awarded in the best interest of the taxpayers. Generally, there are no set rules regarding the frequency of issuing RFPs. However, a school district's procurement policy should establish reasonable intervals to issue RFPs, such as every three to five years, to help ensure services are procured at favorable rates.

Furthermore, New York State Education Law Section 2116-a(3)(b) requires school districts to use an RFP process at least once every five years when contracting for auditing services intended to perform the school districts' annual audits.

Officials Did Not Always Seek Competition When Procuring Goods and Services

The District's procurement policy stipulated that purchases between \$1,000 and \$4,999 require a minimum of three verbal or written quotes and purchases between \$10,000 and \$19,999 require a minimum of three written quotes. However, the policy lacked requirements for purchases between \$5,000 and \$9,999. The policy also stated that verbal and written quotes should be solicited and recorded on forms provided by the District, but the District did not have such forms. Additionally, the policy required the use of an RFP process when procuring professional services, but it did not address the establishment of reasonable intervals for the process.

Purchases Under the Competitive Bidding Threshold – We reviewed 30 purchases, totaling \$200,012, that would be subjected to varying requirements for competition according to the procurement policy. We found 13 purchases, totaling \$44,401, that were made without seeking competition in accordance with the policy. Most of these purchases were related to open purchase orders¹ in which employees did not seek competition. Instead, officials increased certain purchase

...[T]he policy required the use of an RFP process when procuring professional services, but it did not address the establishment of reasonable intervals for the process.

¹ Open purchase orders are used for the purchase of goods or services that are needed on a repetitive basis or for priced contractual purchases.

order limits, by \$35,330, to purchase additional goods and services from an approved vendor. Officials told us they were not aware they still had to seek competition when purchasing goods from vendors with open purchase orders. In addition:

- One of the 13 purchases, for \$2,782, was for 10 football helmets that officials told us they considered to be from a sole source vendor so that the football team would have standardized equipment. However, exemptions to the policy should be clearly documented, including the rationale for the exemption.
- A vendor did not extend the correct contract pricing for cleaning supplies, costing \$11,958, on which the District incurred additional costs of \$1,532. As a result of our audit, the District contacted the vendor and received a credit for the overbilled amount.

When competition is not sought in procuring goods and services, officials cannot be sure that the goods and services were procured in the most prudent and economical manner and in the taxpayers' best interest. Additionally, when claims are not thoroughly reviewed by the claims auditor to ensure correct contract pricing is extended, the District could incur additional unnecessary costs.

Professional Services – We reviewed \$171,446 in expenditures for five professional service vendors to determine whether the District sought competition to obtain these services. We found that District officials appropriately sought competition for an independent external financial auditor, who was paid \$38,100 during our audit period. However, officials did not seek competition for the other four professional service providers that were paid \$133,346 during our audit period, including the District's attorney, bond counsel, engineers/architect and physician (Figure 1).

We estimated that the District used these four professional service vendors for at least 10 years without seeking competition. Officials told us they used these vendors without seeking competition due to the long-standing relationships the District had developed with them.

Without periodically seeking competition, there is no way of knowing what options and prices are available. As a result, the District may have paid more than necessary for these services.

A vendor did not extend the correct contract pricing for cleaning supplies, costing \$11,958, on which the District incurred additional costs of \$1,532.

Figure 1: Professional Services Obtained Without Seeking Competition

Description	Expenditures During Audit Period
Engineers/Architect	\$39,897
District Physician	36,800
School Attorney	28,425
Bond Counsel	28,224
Total	\$133,346

What Do We Recommend?

The Board should update the:

1. Procurement policy and related procedures to include detailed guidance for procuring goods and services not subject to competitive bidding requirements.
2. Purchasing procedures to require officials to award professional service contracts only after soliciting some form of competition and to periodically seek competition for these services at reasonable intervals, such as every three to five years.

The Board and District officials should:

3. Ensure the claims auditor adequately reviews claims and verifies that the District is receiving the awarded contract pricing on purchases.

District officials should:

4. Comply with the procurement policy and purchasing procedures, including seeking competition when procuring goods and services and recording solicited quotes on prescribed District forms.
5. Periodically issue RFPs for professional services.

Appendix A: Response From District Officials



June 13, 2022

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

Re: Newark Valley Central School District's Audit Response Letter and Corrective Action Plan

Dear Ms. Singer:

Newark Valley Central School District is in receipt of the Procurement Report of Examination 2022M-60 for the period July 1, 2020, through November 20, 2021. The District agrees that procurement policies and procedures should be in place to ensure a competitive process where fair prices are obtained. This audit response shall also serve as the District's corrective action plan subject to Board approval on July 11, 2022.

Comptroller Recommendation #1:

Procurement policy and related procedures to include detailed guidance for procuring goods and services not subject to competitive bidding requirements.

Implementation Plan of Actions:

The Board of Education is in the process of updating the district's purchasing policies, which will include specific detailed guidance for procurement of goods and services not subject to GML 103 competitive bidding thresholds.

Implementation Date:

It is anticipated that the updated policy will be in place prior to July 1, 2022.

Persons Responsible for Implementation

Board of Education, Superintendent, and Business Administrator

Comptroller Recommendation #2:

Purchasing procedures to require officials to award professional service contracts only after soliciting some form of competition and to periodically seek competition for these services at reasonable intervals, such as every three to five years.

Implementation Plan of Actions:

The Purchasing Agent will provide a list of Professional Service Contracts to the Superintendent and Business Administrator annually. This list will be reviewed with the Board of Education to determine if any Requests for Proposals (RFP) will be issued during the school year.

District Office
68 Wilson Creek Road
Newark Valley, NY 13811
Phone: (607) 642-3221
Fax: (607) 642-8821

Newark Valley High School
68 Wilson Creek Road
Newark Valley, NY 13811
Phone: (607) 642-8351
Fax: (607) 642-5292

Newark Valley Middle School
88 Whig Street
Newark Valley, NY 13811
Phone: (607) 642-5524
Fax: (607) 642-8494

Nathan T. Hall Elementary
86 Whig Street
Newark Valley, NY 13811
Phone: (607) 642-3340
Fax: (607) 642-5004

Implementation Date:

The list of services will be reviewed annually in conjunction with the purchasing policy review. The initial list will be provided by July 31, 2022.

Persons Responsible for Implementation

Purchasing Agent, Superintendent, Business Administrator, and Board of Education

Comptroller Recommendation #3:

Ensure the claims auditor adequately reviews claims and verifies that the District is receiving the awarded contract pricing on purchases.

Implementation Plan of Actions:

The Purchasing Agent and Claims Auditor will work together to establish a process for ensuring the District receives appropriate pricing for all items purchased on contracts. Also, the Claims Auditor will provide an update to the Board of Education on any changes to the process and areas of focus.

Implementation Date:

This will be implemented as soon as possible but no later than July 1, 2022. It will also be reviewed on an ongoing basis.

Persons Responsible for Implementation

Purchasing Agent, Claims Auditor, and Board of Education

Comptroller Recommendation #4:

Comply with the procurement policy and purchasing procedures, including seeking competition when procuring goods and services, and recording solicited quotes on prescribed District forms.

Implementation Plan of Actions:

District officials will review and update purchasing procedures to ensure that the thresholds outlined in the BOE policy are adhered to and competition is sought when procuring goods and services.

Implementation Date:

It is anticipated that the updated procedures will be in place prior to July 1, 2022.

Persons Responsible for Implementation

Board of Education, Superintendent, Business Administrator, and Purchasing Agent

Comptroller Recommendation #5:

Periodically issue RFPs for professional services.

Implementation Plan of Actions:

The Purchasing Agent will provide a list of Professional Service Contracts to the Superintendent and Business Administrator annually. This list will be reviewed with the Board of Education to determine if any Requests for Proposals (RFP) will be issued during the school year. The list will

include the dates when the last RFP was issued as well as expiration dates for required RFPs, such as independent auditors.

Implementation Date:

The list of services will be reviewed annually in conjunction with the purchasing policy review. The initial list will be provided by July 31, 2022.

Persons Responsible for Implementation

Purchasing Agent, Superintendent, Business Administrator, and Board of Education

We appreciate the professionalism and expertise extended by the Office of the State Comptroller's audit team.

Sincerely,

Ryan Dougherty
Superintendent of Schools

Randy Kerr
Board of Education President

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 District officials and reviewed District policies and procedures and Board meeting minutes and resolutions to gain an understanding of and evaluate the adequacy of the procurement policies and procedures.
- The District made 735 general fund purchases totaling approximately \$3.3 million during our audit period that were greater than \$1,000 but less than \$20,000 each. We used our professional judgment to select a sample of 30 purchases totaling \$200,012 to determine whether District officials sought competition for these purchases in accordance with the District's procurement policy. We selected our sample based on purchase prices to ensure our sample included purchases requiring varying levels of competition based on the procurement policy.
- We compared pricing on awarded contracts to pricing actually paid for goods received for three purchases totaling \$17,868 to determine whether the District received the correct contract pricing.
- We used our professional judgment to review vendor history reports for five professional service providers to determine whether the District sought competition at reasonable intervals and to calculate how much the District paid these vendors during our audit period. We selected the five professional service providers because they were routinely approved by the Board in annual resolutions or a service that school districts routinely use.

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

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/local-government

Local Government and School Accountability Help Line: (866) 321-8503

BINGHAMTON REGIONAL OFFICE – Ann C. Singer, Chief Examiner

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313 • Email: Muni-Binghamton@osc.ny.gov

Serving: Broome, Chemung, Chenango, Cortland, Delaware, Otsego, Schoharie, Tioga,
Tompkins counties



Like us on Facebook at facebook.com/nyscomptroller

Follow us on Twitter [@nyscomptroller](https://twitter.com/nyscomptroller)