

Trumansburg Central School District

Procurement

JUNE 2022



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

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Report Highlights

Trumansburg Central School District

Audit Objective

Determine whether Trumansburg Central School District (District) officials procured goods and services in the best interest of the taxpayers.

Key Findings

District officials did not always ensure that goods and services were procured in the best interest of the taxpayers. The Board of Education (Board) did not implement the District's external auditor's recommendation to update its purchasing policy and officials did not:

- Comply with the Board's requirement to develop written procurement procedures as required by the District's purchasing policy.
- Competitively bid two purchases totaling \$95,073.
- Have support that they obtained quotes for 29 purchases totaling \$177,032.
- Use a competitive method to procure professional services and insurance coverage from four vendors totaling \$414,838 during the audit period. Officials have been using the vendors for approximately 15 years.

Key Recommendations

- Update the purchasing policy.
- Comply with the purchasing policy and develop comprehensive written procurement procedures.
- Comply with the requirements for all procurements that exceed the competitive bidding thresholds.
- Maintain documentation that quotes were obtained.
- Ensure competition is sought periodically for all professional service and insurance coverage vendors.

Officials generally agreed with our recommendations and indicated they would take corrective action.

Background

The District serves the Towns of Enfield and Ulysses in Tompkins County, the Town of Covert in Seneca County and the Town of Hector in Schuyler County.

The Board is responsible for the general management and control of 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 Business Manager is the Board-designated purchasing agent, responsible for overseeing the procurement process. The District experienced turnover during the audit scope period. The current Business Manager was hired in July 2021.

The District is a member of the Delaware Chenango Madison Otsego (DCMO) Board of Cooperative Educational Services (BOCES). Component school districts collaborate on purchasing services in order to obtain products at lower prices.

Quick Facts

2020-21 Appropriations	\$28.4 million
Purchases Subject to Competitive Bidding	\$2.1 million
Total Paid to Professional Service and Insurance Coverage Vendors	\$680,000
Procurements Reviewed	\$2.3 million

Audit Period

July 1, 2019 – June 30, 2021

Procurement

How Should District Officials Procure Goods and Services?

Goods and services must be procured in a manner that ensures the prudent and economical use of public funds in the taxpayers' best interest. School districts are required to competitively bid for purchase contracts exceeding \$20,000 and public works contracts exceeding \$35,000. In lieu of seeking competitive bids, school districts are authorized to make purchases using contracts awarded by the New York State Office of General Services (State contracts) or contracts bid by other governments, school districts and BOCES.

In addition, a board is required to adopt and annually review written policies and procedures for procuring goods and services not required to be competitively bid, such as professional services and insurance coverage, to ensure those purchases are acquired in a cost-effective manner. Professional services generally include services rendered by attorneys, engineers, and certain other services requiring specialized or technical skills, expertise or knowledge, the exercise of professional judgment or a high degree of creativity. Insurance coverage generally includes health, fire, liability and workers' compensation.

Using a competitive method, such as a request for proposals (RFP) or written or verbal quotes, helps ensure that goods and services are obtained at a reasonable cost and helps guard against favoritism, improvidence, extravagance, fraud and corruption.¹ Generally, there are no set rules regarding the frequency of RFPs or quotes. However, a board's policy should establish reasonable intervals to solicit proposals or quotes (e.g., every three to five years) to help ensure services are being procured at a favorable rate.

Under certain circumstances, officials may determine that seeking competition would not be in a school district's best interest. A board should specifically define these exceptions in a school district's policies and procedures and ensure that they are justified in the public interest.

Officials Did Not Establish Written Purchasing Procedures or Always Seek Competition When Procuring Goods and Services

Although the Board's purchasing policy required officials to develop written procedures to ensure purchases were made in the District's best interest, the procedures established by officials were verbal. One such procedure required three quotes for any unit item that exceeded \$500. There was no written guidance provided on documenting and maintaining quotes obtained, aggregating like items or meeting threshold limits. Additionally, there was no

Goods and services must be procured in a manner that ensures the prudent and economical use of public funds in the taxpayers' best interest.

¹ Refer to our publication *Seeking Competition in Procurement* available on our website at www.osc.state.ny.us/files/local-government/publications/pdf/seekingcompetition.pdf.

documentation that the former purchasing agent was ensuring that employees were obtaining three quotes or the best price. Furthermore, the District’s external auditor recommended that the Board update its purchasing policy to address procurements below the competitive bidding thresholds. While the Board indicated that the purchasing policy and the District’s practice of obtaining three quotes and using State contracts satisfied the legal requirements for purchases below the competitive bidding thresholds, the Board can improve its policy by including more comprehensive and specific guidance.

Competitive Bidding – We reviewed disbursements to 16 vendors with purchases totaling \$1.47 million during the audit period that exceeded bidding thresholds to determine whether officials solicited competitive bids prior to procurement. We found that officials did not seek competition or maintain documentation to show that they sought competition prior to procuring goods and services totaling \$95,073 from two of the 16 vendors (Figure 1).

Although the District participated in the DCMO BOCES bid for propane, District officials rejected the bid and continued to use a local vendor because the local vendor’s price was lower than the DCMO BOCES propane vendor’s price. The District paid the propane vendor \$57,948 during the audit scope period and we reviewed a sample of propane invoices totaling \$15,227. We compared the price the District paid the local vendor on 15 days to the price offered using the State contract and determined the District could have potentially saved more than \$2,500 had officials purchased propane from the State contract on those 15 days. Further, officials used a previous vendor for the field fencing without looking into pricing.

Figure 1: Purchases Not Competitively Bid

Purchase	Amount Paid
Propane	\$57,948
Field Fencing	37,125
Total	\$95,073

Because officials did not comply with competitive bidding requirements when procuring goods and services, they do not have the assurance that these purchases were made at the best price or in the best interest of taxpayers.

Quotes – We reviewed 50 purchases with disbursements totaling \$297,129 during the audit period to determine whether officials obtained three quotes for each purchase, as required. The District’s records do not support that officials obtained the required quotes for 29 purchases totaling \$177,032. These purchases included items such as graphing calculators, technology and communications equipment, blackboard, sander and a milk cooler.

Officials could not demonstrate or support they obtained the best prices. As a result, officials cannot assure taxpayers that the best prices were obtained.

Officials Did Not Always Seek Competition for Professional Services and Insurance Coverage

Officials did not have adequate procedures in place for procuring professional services and insurance coverage. The District procured professional services and insurance coverage from 15 different vendors totaling \$680,143 during the audit period. We selected payments to eight vendors totaling \$539,452 to determine whether a competitive method was used and found four vendors totaling \$414,838 were not competitively procured (Figure 2). The District has been using these four vendors for approximately 15 years.

Officials told us the insurance, special education, medical and legal contracts are approved by the Board at its annual reorganizational meeting without seeking competition, and that the special education provider was selected based on the District's geographic location.

When officials do not seek competition for professional services and insurance coverage, they cannot assure taxpayers that services are obtained in the most prudent and economical manner and whether other providers are available that could offer the same or similar services at a more favorable price.

Figure 2: Services Procured Without Competition

Type of Services	Amount Paid
Insurance Coverage	\$226,934
Special Education	163,888
Medical	14,822
Legal	9,194
Total	\$414,838

Officials told us the insurance, special education, medical and legal contracts are approved by the Board at its annual reorganizational meeting without seeking competition. ...

What Do We Recommend?

The Board should:

1. Periodically review and update the purchasing policy to ensure it covers:
 - Purchases not subject to bidding requirements, including professional services and insurance coverage,
 - All allowable exceptions to seeking competition, and
 - Purchases below the competitive bidding thresholds.

District officials should:

2. Comply with the purchasing policy and develop comprehensive written procurement procedures for:
 - Purchases not subject to competitive bidding requirements, including professional services and insurance coverage, and
 - Required documentation that should be maintained to ensure that the best price was obtained.

-
3. Comply with the requirements for all procurements that exceed the competitive bidding thresholds.
 4. Maintain documentation that quotes were obtained.
 5. Ensure competition is sought periodically for all professional service and insurance coverage vendors.

Appendix A: Response From District Officials

Board of Education

Jhoanna Haynes, President
Jim Miely, Vice President
Rebecca Baines
Dana Robson
Dianne Lynn
Megan Williams
Randy VanDerzee

Tina Lincoln, District Clerk

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Administration

Kimberly Bell
Superintendent of Schools

Jon Koeng
School Business Administrator

Angela Gemignani
Director of Special Education

Pamela Rapoza
Director of Curriculum, Instruction,
Assessment & Professional
Development

Joshua Hunkele
Director of Innovation &
Education Technology

Division of Local Government and School Accountability
110 State Street, 12th Floor
Albany, NY 12236

Attn: BINGHAMTON REGIONAL OFFICE

April 29, 2022

To Whom It May Concern;

This letter serves as our district’s official response to the audit findings shared with us on Tuesday, April 5th, 2022. Our district is in agreement with the key findings as noted below.

Key Findings:

District officials did not always ensure that goods and services were procured in the best interest of the taxpayers. The Board of Education (Board) did not implement the District’s external auditor’s recommendation to update its purchasing policy and officials did not:

- Comply with the Board’s requirement to develop written procurement procedures as required by the District’s purchasing policy.
- Competitively bid two purchases totaling \$95,073.
- Have support that they obtained quotes for 29 purchases totaling \$177,032.
- Use a competitive method to procure professional services and insurance coverage from four vendors totaling \$414,838 during the audit period. Officials have been using the vendors for approximately 15 years.

The following key recommendations were made by the Comptroller’s auditors:

- Update the purchasing policy.
- Comply with the purchasing policy and develop comprehensive written procurement procedures.
- Comply with the requirements for all procurements that exceed the competitive bidding thresholds.
- Maintain documentation that quotes were obtained.
- Ensure competition is sought periodically for all professional service and insurance coverage vendors.

The district is in full support of all recommendations and has begun work on updating the purchasing policy and is in the process of instituting additional procedures which will ensure appropriate documentation of said policy. With regard to specific examples, we are initiating a process to obtain competitive quotes for the purchase of propane and seeking additional vendors for insurance coverage.

We sincerely wish to thank the auditors for their work and recommendations. Their diligence and professionalism during their time in our district was consistently noted and appreciated. Their guidance will ensure improvements in our business processes moving forward.

Sincerely,

Kimberly Bell
Superintendent of Schools

Jon Koeng
School Business Administrator

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 employees, and reviewed the purchasing policy and procedures and records, to gain an understanding of the District's purchasing process.
- We obtained a vendor transaction report and all cash disbursement packets for the audit period and identified the population of:
 - Vendors providing professional services to the District.
 - Vendors with payments exceeding the bidding thresholds.
 - Vendors with purchases exceeding \$500 but less than the bidding thresholds.
- We selected a sample of 16 vendors with payments that exceeded the bidding thresholds totaling \$1.47 million during the audit period. We reviewed documentation and made inquiries of officials to determine whether the District sought price competition prior to procurement.
- Using professional judgment, we selected a sample of 50 goods and services purchased totaling \$297,129 and reviewed documentation to determine the procurement method used and whether officials obtained the best price for the goods and services procured.
- We obtained the total amount paid for propane during the audit period and interviewed officials regarding the procurement of propane to determine whether officials sought price competition. We reviewed bidding documentation for pricing. We compared the delivery price per gallon for propane per the State contract for Tompkins County for 15 days to the delivery price paid by the District to a local vendor, to determine whether the District obtained the best price for propane. We calculated the variance between both prices and determined the amount the District could have saved if propane was purchased off State contract during those 15 days.
- Using professional judgment, we selected a sample of professional service and insurance coverage vendors with purchases totaling \$539,452 during the audit period. We reviewed contracts between the District and the vendors, interviewed officials and reviewed documentation, to determine whether officials sought competition or the reasons for the lack of competition, prior to procuring these. We reviewed a vendor transaction report and calculated the average number of years the District had been using select vendors.

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

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