

Watertown City School District

Procurement

JANUARY 2022



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

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Report Highlights

Watertown City School District

Audit Objective

Determine whether Watertown City School District (District) officials sought competition for the purchase of goods and services not subject to competitive bidding.

Key Findings

District officials did not always comply with the District's procurement policy and seek competition for the purchase of goods and services not subject to competitive bidding.

Officials did not:

- Seek competition for the services procured from 13 professional service providers, totaling \$305,052 (92 percent of the District's providers) and did not have written service agreements with three providers.
- Obtain verbal or written quotes for the purchase of goods and services from nine vendors who were paid \$123,509 (52 percent of the amount tested).

Key Recommendations

- Periodically issue requests for proposals (RFPs) to solicit competition when seeking professional services and obtain written agreements for all professional service providers.
- Obtain verbal and written quotes as required by the procurement policy.

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

Background

The District serves the City of Watertown and the Towns of Watertown, LeRay, Pamela and Rutland, in Jefferson County.

The District is governed by an elected seven-member Board of Education (Board). The Board is responsible for the District's educational and financial affairs.

The Superintendent of Schools (Superintendent), along with other administrative personnel, is responsible for day-to-day operations.

The Business Manager is the Board-appointed purchasing agent, responsible for overseeing the purchasing program and ensuring procurements are made in compliance with established policies and procedures.

Quick Facts

Approximate Purchases Not Subject to Competitive Bidding During the Audit Period	\$1.7 million
Amount of Purchases Tested	\$571,764
2021-22 Appropriations	\$78.4 million
Employees	671
Enrollment	4,157

Audit Period

July 1, 2020 – June 30, 2021

Procurement

How Should Officials Procure Goods and Services Not Subject to Competitive Bidding?

School districts must adopt written policies and procedures for procuring goods and services not subject to competitive bidding requirements. Goods and services not required to be competitively bid, such as professional services that require specialized skill and/or training such as legal, medical, auditing, property appraisal or insurance services, must be procured in a manner that ensures the prudent and economical use of public funds in the taxpayers' best interest.

Using a competitive method, such as a request for proposals (RFP) or verbal or written quotes, helps ensure that quality goods and services are obtained at a reasonable cost and avoids the appearance of favoritism or impropriety.¹ In lieu of seeking competition for these goods and services, a school district is authorized to make purchases using contracts awarded by the New York State Office of General Services (State contracts) or contracts bid by other governments (such as a Board of Cooperative Educational Services (BOCES)).

An exception to awarding purchase contracts based on the lowest responsible cost provider is to award a contract based on "best value" (competitive offering), which takes non-price factors into consideration, such as ease of maintenance or experience of the service provider on similar contracts. A school district should be able to demonstrate the basis for a "best value" award with quantifiable means such as a cost-benefit analysis or provide other written justification.

Up-to-date written agreements with professional service providers are essential to provide both parties with a clear understanding of the services to be provided and the time frames and basis for compensation.

The District's procurement policy (policy) designates that the purchasing agent is responsible for overseeing the purchasing program to ensure it complies with Board policy and procedures. The policy requires issuing a written RFP for professional and other specialized services. An RFP containing details of the services to be provided should be sent to a representative sample of individuals and firms known to offer the service being procured (e.g., architects, auditors, attorneys). The evaluation of responses to an RFP shall consider the price quoted, any special knowledge or expertise of the service provider, the quality of the service, the staffing of the service and suitability for the District's needs.

Using a competitive method... helps ensure that quality goods and services are obtained at a reasonable cost and avoids the appearance of favoritism or impropriety.

¹ Refer to our publication *Seeking Competition in Procurement* available on our website at www.osc.state.ny.us/localgov/pubs/lgmg/seekingcompetition.pdf.

The policy acknowledges that the specialized and confidential nature of some professional services make them unsuitable for purchase through the RFP process. However, the policy specifies that the Board must monitor the District’s use of professional services and periodically issue RFPs to assess the cost-effectiveness of the services being used.

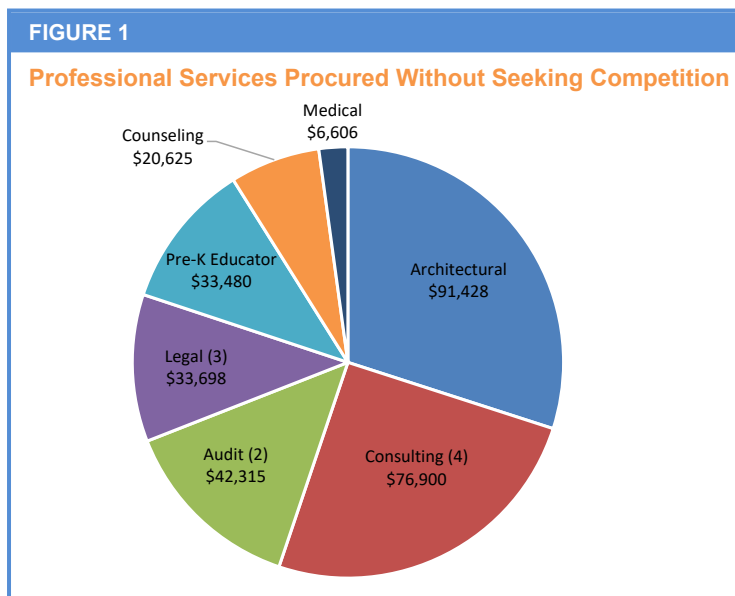
The policy requires officials to obtain three verbal quotes for purchase and public works contracts between \$5,001 and \$10,000; three written quotes for purchase contracts between \$10,001 and \$20,000; and three written quotes for public works contracts between \$10,001 and \$35,000.

The policy stipulates that the unique benefits of a good or service available only from a sole or single source provider should be documented prior to making the purchase. This requires the purchasing agent to document the benefit of these items as compared to other available items and that no other items provide substantially equivalent or similar benefits.

The policy also requires District officials to use a standard “request for quotation” form – which includes a written description of the good or service being solicited – to solicit written quotations from vendors. In addition, it requires the purchasing agent to maintain a master list of verbal quotes and written solicitations received from vendors and to certify that the required quotes have been received and attached to the purchase order.

Officials Did Not Always Seek Competition for Professional Services

We reviewed the procurement of services from all 14 professional service providers paid a total of \$331,952 during our audit period and found that District officials did not issue RFPs for the services provided by 13 professional service providers who were paid a total of \$305,052 (92 percent) (Figure 1).



The District properly issued RFPs prior to selecting one of the two architectural service providers used during the audit period. The District paid the selected firm \$26,900.

The purchasing agent told us that officials did not issue RFPs for the remaining 13 providers for various reasons. For example, the consulting, legal and internal audit service providers have a longstanding relationship with the District or specialize in areas relative to the District's needs. Although the District considers these services to be unsuitable for procurement through RFPs for these reasons, the Board did not monitor the use of these services and periodically issue RFPs to assess cost-effectiveness.

In addition, officials did not issue an RFP for the external audit of the District's financial statements for the fiscal year ending June 30, 2020 (\$26,250). However, officials issued an RFP near the end of our audit period in April 2021 for an external auditor to audit the District's financial statements for the fiscal year ending June 30, 2021. The purchasing agent told us seeking competition for this audit service will result in cost savings of approximately \$1,500.

Soliciting these services through RFPs, as required by the policy, can help provide assurance that quality services are obtained under the most favorable terms and conditions possible and without favoritism. Further, using RFPs can increase District officials' awareness of other service providers who could offer similar services at a more favorable cost.

The District did not have a current written agreement for three of the 14 professional service providers, who were paid a total of \$36,836. The providers included a financial consultant (\$15,100) and two legal service providers (combined total of \$21,736). As a result, we were unable to determine the accuracy of payments made to these providers during the audit period. The payments to the remaining 10 service providers were generally made in accordance with current signed agreements.

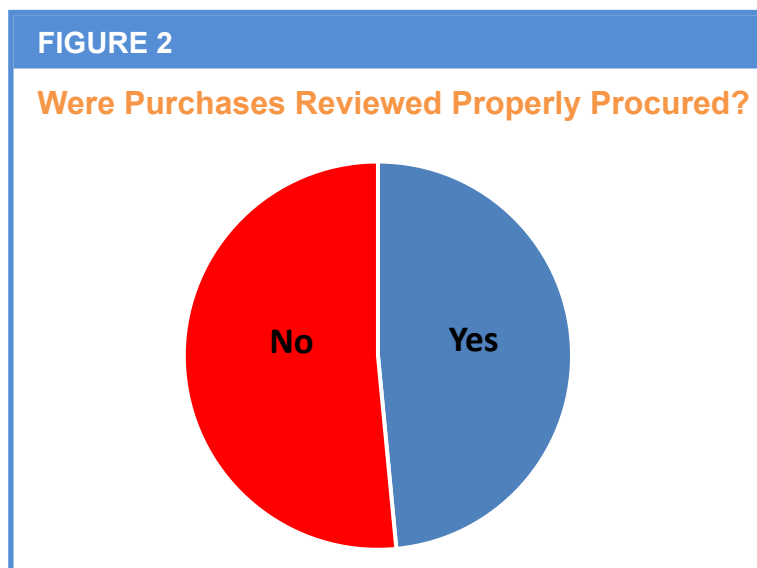
The purchasing agent told us officials did not establish an agreement with the financial consultant because it is a service the District seeks and uses on an "as needed" basis. One of the legal service providers was procured without an agreement prior to the time the purchasing agent was at the District, and the other provider offers services on a "pay as you go" basis without a written agreement.

A written agreement is essential to provide both parties with a clear understanding of the services to be provided, the time frames and the basis for compensation. Without a current agreement, there is greater risk that the District will pay for services that it has not received or for services that do not comply with agreed-upon conditions and rates.

.... [U]sing RFPs can increase District officials' awareness of other service providers who could offer similar services at a more favorable cost.

Required Quotes Were Not Always Obtained

We reviewed purchases from 18 vendors who were paid a total of \$239,812 during the audit period to determine whether officials obtained verbal or written quotes, as required by the District's policy. Although all the payments we examined were for appropriate purposes, officials did not obtain quotes for the following purchases from nine vendors totaling \$123,509 (52 percent) (Figure 2).



- Five vendors were paid a combined total of \$80,993 for educational products. Three of these vendors were paid a total of \$46,144 for robotic equipment and supplies, one vendor was paid \$22,049 for textbooks, related software and workbooks, and one vendor was paid \$12,800 for a comprehensive student survey software. District officials told us that each of these products is specialized in what it offers teachers and students, and they consider the vendors sole or single source providers. However, officials did not maintain documentation to show that no competition was available for the items or that these items provide a unique benefit and were only available from a sole or single source provider, as required by the policy.
- One vendor was paid \$21,937 for maintenance of the HVAC system in two school buildings and another vendor was paid \$5,227 for maintenance and testing of the fire alarm system. District officials told us they considered both vendors to be sole source providers because they installed the systems at the District. As such, officials told us they believed it was more efficient to retain the same vendors for system maintenance. However, because the District did not seek any competition from other potential vendors, it may not have procured these services at the best price.

-
- One vendor was paid \$10,000 to update the District's website. Officials told us that they researched other vendors for this service and this vendor was the "best value." However, they did not assess the service using a cost-benefit analysis and could not provide written documentation for the "best value" determination. Also, they did not retain any documentation of any quotes received.
 - One vendor was paid \$5,352 for vehicle maintenance including parts and repairs. Officials told us that this vendor is a sole provider of the parts and although another vendor could provide the repairs, it was more cost-effective to have this vendor supply the parts and make the repairs. However, officials did not maintain documentation to show that this vendor was a sole source provider of the parts. Further, officials did not obtain quotes for the services from other potential vendors to determine whether this vendor was the most cost-effective option.

Because District officials did not always seek competition or document their decision-making process when competition was not sought for these purchases, they cannot be sure that the goods and services were procured in the most prudent and economical manner in taxpayers' best interest.

The remaining purchases totaling \$116,303 we examined adequately showed evidence that District officials used competitive methods to procure the goods and services when needed. Three vendors that were paid \$46,422 held State contracts and, therefore, did not require quotes. Purchases totaling \$12,197 to one vendor were procured from an approved BOCES bid list. The remaining five vendors that were paid \$57,684 had documented written quotes with their corresponding purchase orders.

District officials did not use the standard "request for quotation" form to solicit written quotes from vendors as required by the District's policy. Also, the purchasing agent did not maintain a master file of all written solicitations or a master log for verbal quotes as required by the policy. In addition, the purchasing agent did not always ensure quotes were attached to the purchase order. However, business office staff did maintain a procurement savings spreadsheet to document vendor price comparisons done prior to making certain purchases.

The business office staff is familiar with District vendors and aware of who provides the same or similar goods and services. If staff identify a comparable good or service at a lower price than reflected in the purchase requisition submitted by a department, they ordered the good or service from the vendor with the lower price and documented the savings on the spreadsheet. In many cases, they performed online price comparisons for these purchases, which were below the procurement policy requirements for obtaining quotes. In some instances, they worked with vendors to obtain lower prices or discounts prior to issuing the purchase order. Based on our review of the spreadsheet and selected supporting documentation, the District calculated a savings of over \$103,000 on various goods and services during our audit period. We commend District officials for their efforts to identify these savings through their purchasing process.

What Do We Recommend?

The Board should:

1. Monitor the use of professional services and periodically issue RFPs to assess the cost-effectiveness of the services being used, in accordance with the policy.
2. Ensure written agreements with professional service providers are current and provide both parties with a clear understanding of the services to be provided, the time frames and the basis for compensation.

District officials should:

3. Use an RFP process to solicit competition when procuring professional services, as required by the policy.
4. Obtain and document verbal and written quotes as required by the policy for all goods and services below the bidding thresholds.
5. Maintain documentation to demonstrate the basis for “best value” awards and document the justification for using a sole or single source provider.
6. Use the standard “request for quotation” form to solicit written quotes as required by the policy.

The purchasing agent should:

7. Maintain a master list of verbal quotes and written solicitations received from vendors, and ensure quotes required by the policy have been received and attached to the purchase order.

Appendix A: Response From District Officials

WATERTOWN CITY SCHOOL DISTRICT

PATRICIA B. LABARR
Superintendent of Schools
STACEY J. EGER-CONVERSE
Assistant Superintendent for Instruction
TINA M. LANE
Assistant Superintendent for
Personnel and Student Services
JOSHUA W. HARTSHORNE
School Business Manager
JENNA J. RITZ
Treasurer



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RANDE S. RICHARDSON
AMMBROSE SOUZA
MICHELLE R. GRAVELLE
District Clerk

January 5, 2022

Rebecca Wilcox
Office of the State Comptroller
Syracuse Regional Office
State Office Building, Room 409
333 E. Washington Street
Syracuse, NY 13202-1428

RE: Watertown City School District's Audit Response Letter and Corrective Action Plan to Report of Examination (2021M-176)

Dear Ms. Wilcox,

Watertown City School District is in receipt of the Procurement Report of Examination 2021M-176 for the period of July 1, 2020 to June 30, 2021. Based on the subsequent meetings regarding findings and noting that the rationale for purchases was there, but the main concern for the District to work in is documentation, we agree with the findings in this report. This audit response shall also serve as the District's corrective action plan subject to board approval on January 18, 2022.

Comptroller Recommendation #1

Monitor the use of professional services and periodically issue RFPs to assess the cost-effectiveness of the services being used, in accordance with the policy.

District Response:

The Board will rely on the recommendations from the Finance, Audit, and Facilities (FAF) Committee on when to issue RFPs, and/or review annual estimates, for professional services in accordance with Board policies. Implementation period - Q4, FY 21-22.

1351 Washington Street, Watertown, NY 13601-4593 – (315) 785-3700; Fax: (315) 785-6855
Watertown City School District is committed to building a caring culture that fosters lifelong learners and responsible citizens.

Comptroller Recommendation #2

Ensure written agreements with professional service providers are current and provide both parties with a clear understanding of the services to be provided, the timeframes and the basis for compensation.

District Response:

This will align closely with the District response to Recommendation #1: The Board will rely on the recommendations from the Finance, Audit, and Facilities (FAF) Committee on when to issue RFPs, and/or review annual estimates, for professional services in accordance with Board policies. Implementation period - Q4, FY 21-22.

Comptroller Recommendation #3

Use an RFP process to solicit competition when procuring professional services, as required by the policy.

District Response:

The District (Business Office) will utilize the RFP process as required by policy when procuring professional services. Implementation period – Immediate.

Comptroller Recommendation #4

Obtain and document verbal and written quotes as required by the policy for all goods and services below the bidding thresholds.

District Response:

The District (Business Office) will obtain and document quotes as required by policy. This documentation shall be attached to the purchase order for auditing and future reference purposes. Implementation period – Immediate.

Comptroller Recommendation #5

Maintain documentation to demonstrate the basis for “best value” awards and document the justification for using a sole or single source provider.

District Response:

The District (Business Office) will maintain documentation for best value, sole source, and single source providers and attach to purchase order for auditing and future reference purposes. Implementation period – Immediate.

Comptroller Recommendation #6

Use the standard “request for quotation” form to solicit written quotes as required by the policy.

District Response:

This form was antiquated and has been removed from Board policies. Written quotes shall be attached to purchase order for auditing and future reference purposes. Implementation period – Immediate.

Comptroller Recommendation #7

Maintain a master list of verbal quotes and written solicitations received from vendors, and ensure quotes required by the policy have been received and attached to the purchase order.

District Response:

Requirement regarding a master list of verbal quotes has been removed from Board policy. A master list of vendors is maintained in our accounting software. Verbal and written quotes shall be attached to the purchase order, as necessary, for auditing and future reference purposes. Implementation period – Immediate.

We appreciate the time, professionalism, and expertise extended by the Office of the State Comptroller, particularly by [REDACTED].

Sincerely,

Patricia B. LaBarr
Superintendent

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 relevant laws and the District's procurement policy and procedures to gain an understanding of the procurement process.
- We reviewed electronic cash disbursement data for the audit period and sorted data to select the population of purchases subject to quotes and RFPs.
- To test the procurement of professional services, we reviewed the cash disbursements data to identify vendors that provided professional services. For those vendors we were uncertain about, we spoke with District officials to obtain clarification as to whether the vendors were professional service providers. We identified 14 professional service providers who were paid collectively \$331,952 during the audit period and reviewed all these purchases to determine whether RFPs were issued to procure these services.
- We reviewed all written agreements between the District and each professional service provider to determine whether the District entered into agreements with the providers and whether the agreements were current. We also reviewed all payments to each provider during the audit period, and the corresponding invoice, to assess whether the payments were made in accordance with the agreement (when applicable).
- We used our professional judgment to select 18 vendors who were collectively paid a total of \$239,812 for 26 purchases during the audit period. We reviewed the related claims and supporting documentation to determine whether officials obtained quotes as required by District policy or used other competitive methods (e.g., State contract, BOCES bid list). We selected our sample from the cash disbursement data, excluding purchases that required soliciting competitive bids, purchase contracts that aggregated to more than \$20,000 and public works contracts that aggregated to more than \$35,000 within a year. We also excluded payments made to other school districts, municipalities, debt, payroll, transfers to other District funds, employee reimbursements, payments for maintenance and supplies after March 7, 2020 because of the Governor's Executive Order 202 due to COVID, and annual payments to vendors that did not meet the policy's \$5,000 threshold for obtaining quotes. We identified 90 vendors who were collectively paid \$1,083,123 during the audit period and selected our sample of 18 vendors with no expectations of more or fewer exceptions.

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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