

Weedsport Central School District

Procurement and Claims Audit

JULY 2022



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

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Report Highlights

Weedsport Central School District

Audit Objective

Determine whether Weedsport Central School District (District) officials complied with the District's procurement policy and statutory requirements when procuring goods and services.

Determine whether claims had adequate supporting documentation and were properly audited before payment.

Key Findings

District officials did not comply with statutory requirements or the District's procurement policy when purchasing goods and services. Also, claims did not have adequate supporting documentation and were not properly audited before they were paid.

- District officials did not seek competition for purchases totaling \$736,858 made from two vendors and purchases totaling nearly \$1.4 million made from 10 professional service providers.
- District officials paid \$687,418 to two professional service providers without entering into a written contract and did not seek competition for the District's external audit services, as required.
- 23 claims totaling \$49,478 were not properly authorized and did not have adequate supporting documentation.

Key Recommendations

- Comply with competitive bidding laws and District procurement policy requirements.
- Ensure all claims have adequate supporting documentation and are audited before payment.

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

Background

The District serves the Towns of Brutus, Cato, Conquest, Mentz, Sennett and Throop in Cayuga County.

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

The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management under the Board's direction.

Quick Facts

2021-22	
General Fund Appropriations	\$20.4 million
2019-20 and 2020-21 Total Paid	
Professional Service Vendors	\$1.57 million
Claims	\$13.95 million

Audit Period

July 1, 2019 – October 18, 2021

Procurement

How Should a School District Procure Goods and Services?

New York State General Municipal Law, Section 103 (GML 103) generally requires school districts to advertise for competitive bids when procurements exceed certain dollar thresholds. For example, school districts would generally advertise for purchase contracts exceeding \$20,000 and public works contracts exceeding \$35,000.

To determine whether purchases will exceed these thresholds, school district officials must determine whether individual or repetitive purchases (e.g., copy paper) will exceed the dollar threshold for purchase contracts when combined over a 12-month period. As an alternative, school districts may award purchase contracts on the basis of best value, as defined in New York State Finance Law Section 163. This includes contracts for service work, but excludes any purchase contracts that are necessary to complete a public works contract, according to New York State Labor Law, Article 8.

GML Section 104-b (GML 104-b) requires school districts' boards of education to adopt written policies and procedures for procuring goods and services that are not required to be competitively bid, such as professional services. This section also states that goods and services must be procured prudently, economically and in a manner that is in the best interests of taxpayers and is not influenced by favoritism, extravagance, fraud or corruption.

Using a request for proposals (RFP) or obtaining written or verbal quotes is an effective way to help ensure that school districts receive professional services at the best price. An RFP is a document that provides detailed information on the type of service needed and the evaluation criteria used to award the contract. Evaluation criteria can include experience, work plans and the methodology used to achieve desired results and estimated completion times.

Obtaining professional services through an RFP process helps school district officials procure needed services at, and with, the most advantageous terms and conditions. It also helps officials avoid any potential appearance of partiality when awarding these contracts. In addition, school districts should enter into a written agreement with professional service providers that define the services to be provided, timeframes for when the services will be provided, the basis of compensation and other terms and conditions.

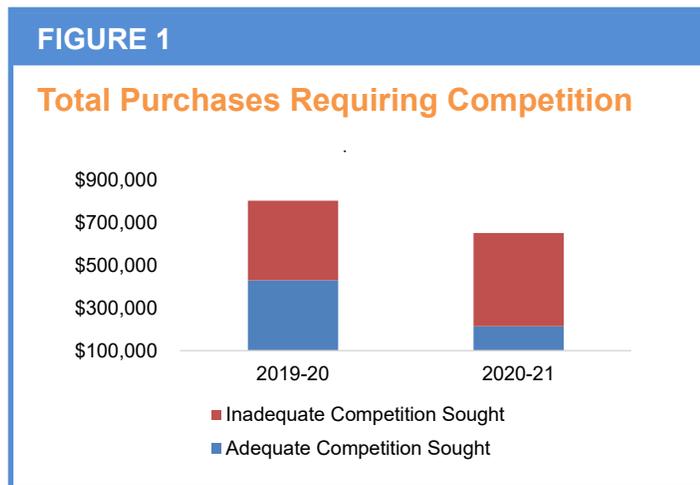
A school district's procurement policy should provide guidelines for staff to determine when they should use alternative proposals or quotations instead of competitive bidding. The policy also should require staff to maintain adequate documentation for all actions taken for each procurement method used. When awarding a contract to a vendor that is not the lowest responsible dollar offeror, staff must ensure that the purchasing documentation clearly justifies when and why it is necessary.

The policy also should require staff to maintain adequate documentation for all actions taken for each procurement method used.

District Officials Did Not Comply With GML When Procuring Goods and Services or Establish Adequate Purchasing Procedures

While the Board adopted a purchasing policy, the policy did not adequately define how staff should procure goods or services that are not subject to competitive bidding, such as professional services. It did not indicate when staff should use verbal quotes, written quotes or RFPs and did not define specific dollar thresholds for procuring services using these alternative methods. The District's policy also did not provide any guidance for staff to follow when making aggregate purchases, such as defining when staff should use competitive bidding for these purchases.

To determine whether District staff used an appropriate procurement process to obtain goods and services, we reviewed purchases totaling \$1.57 million made from 18 vendors that were paid \$10,000 or more (individually or in aggregate) during the 2019-20 or 2020-21 school years. Of the 18 vendors, we found that 11 were paid a total of \$1.46 million for goods and services that should have been procured using competitive bidding or best value, or purchased from an approved State or municipal contract (Figure 1).



Of the 11 vendors, purchases made from five vendors totaling \$810,318 did not follow an appropriate process. Examples include the following:

- The District did not follow competitive bidding requirements when procuring goods and services from two vendors who were paid a total of \$736,858 during both school years. These purchases included gasoline and diesel fuel and food service and cafeteria operations.
- The District solicited competition while procuring goods and services totaling \$73,461 from three other vendors. However, the procurement process used for these purchases did not comply with competitive bidding requirements.

Also, the District did not have any documentation as to why the purchases would otherwise be exempt from competitive bidding.

Additionally, purchases totaling \$23,534 made from two other vendors were not subject to a competitive bidding process because they were below the bidding thresholds. However, District staff did not use an alternate competitive process to obtain these goods and services and did not purchase them from vendors that obtained them from an approved State or municipal contract.

When staff follow applicable laws and District policies and procedures, this helps ensure the District receives goods and services of maximum quality at the lowest possible cost and avoids favoritism, improvidence, extravagance, fraud and abuse.

Officials Generally Did Not Solicit Competition When Procuring Professional Services

The District's purchasing policy did not address procuring professional services. Also, District officials did not develop written procedures for procuring these services, such as indicating when staff must maintain specified documentation to describe all actions taken for the procurement methods used.

Officials generally did not solicit competition when procuring professional services. As a result, officials cannot ensure that they obtained these services at the most favorable terms and conditions and in the best interests of taxpayers.

District officials obtained professional services from 12 vendors who were paid approximately \$1.57 million from July 1, 2019 through June 30, 2021. We reviewed payments made to these providers and found that officials did not seek competition for services totaling \$1.39 million (83 percent) provided by 10 service providers (Figure 2).

Figure 2: Professional Services Procured Without Competition

Professional Service Type	Number of Vendors	Total Paid
Specialized Student Services	2	\$863,726
Insurance Brokerage Services	2	267,048
Therapy Services^a	2	159,083
Legal	2	62,714
Financial Advisor	1	17,679
Physician	1	16,095
Totals	10	\$1,386,345

a) These services included occupational, physical and speech therapy.

In 2012, the District did seek competition for external auditing services for which it paid \$30,525 during our audit period. However, school districts are required to seek competition for these services at least every five years. District officials told us they were aware of this and planned to issue an RFP for auditing services in 2022.

Officials also told us they chose some of the 12 vendors due to past experience or historical relationships with them and/or due to the sparsity of vendors in the region who provided the needed specialized services. However, officials did not maintain adequate documentation for these explanations and their rationale for using the vendors and did not define how the District ensured that these procurements were made with the most favorable terms and conditions.

Furthermore, the District did not have written agreements with two professional service providers who were paid a total of \$687,418. Both vendors provided District students with specialized outreach or therapy services.

We found that the professional services were for legitimate and appropriate purposes. However, when staff do not obtain professional services using a competitive process, officials cannot ensure that the services are procured economically, without favoritism and in the best interests of taxpayers. Also, without adequate written agreements, the District cannot ensure it receives adequate professional services at agreed upon or established rates, and it may have limited recourse if inadequate services are provided.

What Do We Recommend?

The Board should:

1. Amend the District's procurement policy to include:
 - Instructions for how staff should procure goods and services that are not subject to competitive bidding, such as professional services.
 - Dollar thresholds when using alternative procurement methods, such as written and verbal quotes or RFPs.
 - Guidance for staff to follow when making aggregate purchases, such as defining when staff should use competitive bidding for these purchases and developing a process to identify when aggregate purchases exceed limits.

District officials should:

2. Develop and adopt appropriate written purchasing procedures that define documentation requirements, such as including rationale for

decisions made, for purchases that are not subject to competitive bidding requirements.

3. Comply with competitive bidding laws and District policy requirements, which includes determining whether competitive bidding should be used for aggregate amounts that are expended for the same or similar type of goods or services.
4. Develop written procedures that address situations, such as professional services, where an RFP process may be appropriate.
5. Ensure the District has written agreements with all professional service providers that detail the types and time frames of services and the compensation to be paid.

Claims Audit

For the 2020-21 and 2021-22 school years, the Superintendent was responsible for overseeing the District's financial operations, in addition to his other duties. He was performing the duties of the former Assistant Superintendent for Business and Finance (Assistant Superintendent) who retired in August 2020 and was not immediately replaced. This position was vacant throughout our audit period. The Assistant Superintendent's duties included functioning as the District's purchasing agent.

How Should a School District Process Claims?

The audit and approval of claims is one of the most critical elements of a school district's control over expenditures. Education Law Section 1709 requires school district boards of education (boards) to audit all claims or appoint a claims auditor to assume the boards' powers and duties to examine and approve or disapprove claims.

While auditing claims, a board or claims auditor must determine whether each claim is accurate, properly itemized and has adequate supporting documentation. School districts can pay certain items before their related claims are audited, such as public utility services, postage, freight and express charges. However, these claims should be submitted to the board at its next regular meeting, or to the claims auditor, for review and approval.

When processing claims, a board or claims auditor should ensure that purchasing staff has followed the school district's policies and procedures while procuring, recording and paying each claim. This includes determining whether staff prepared, and supervisors approved, purchase orders (POs) before purchasing goods or receiving services. After a board or claims auditor approves the claims, the board members or the claims auditor should sign the warrants (lists of claims) indicating that the claims are approved for payment.

Claims Were Not Always Adequately Authorized or Supported

The Board delegated its claims auditing responsibilities to the District's claims auditor. The District used a purchase requisition (requisition) and PO process for all purchases, with limited exceptions. This process required District employees to manually prepare requisition requests that were reviewed and approved first by building principals or department heads and then by the Assistant Superintendent and/or Superintendent.

After requisitions were fully approved, the accounts payable clerk (AP clerk) entered the requisition information into the District's financial system to generate a PO. The AP clerk then submitted the PO to the District's purchasing agent (Superintendent) for final review. The AP clerk also was responsible for placing online orders when needed.

The Board delegated its claims auditing responsibilities to the District's claims auditor.

Because the Assistant Superintendent position was vacant, the Superintendent approved certain requisitions as both a department head and purchasing agent, along with approving POs. Consequently, the individual who was responsible for reviewing POs was not independent of the purchasing process, which reduced the effectiveness of this internal control.

After the POs were approved, the AP clerk prepared the claims packets and gave them to the claims auditor for audit. Claims packets should include a requisition, PO and other appropriate documentation for each claim generated during each month.

We reviewed 49 claims packets,¹ which included 96 individual claims totaling \$262,712, and identified the following discrepancies:

- 25 claims were missing requisitions for purchases totaling \$47,752 (18 percent).
- 22 claims were missing POs for purchases totaling \$38,224 (15 percent).
- Four purchases totaling \$9,761 (4 percent) did not have adequate supporting documentation due to missing receipts, missing invoices, or a missing or inadequate explanation for the purchases' purpose.
- The claims auditor did not receive a copy of the executed contracts for four claims for contractual payments totaling \$24,369 (9 percent). We compared the contractual payments to the executed contract and found the payments were appropriate. However, without a copy of the contracts, the claims auditor was unable to effectively audit these claims.
- District officials could not locate a claims packet for a mileage reimbursement to an employee totaling \$420.

As a result, we determined that 23 claims packets totaling \$49,478 (47 percent) – of the 49 that we reviewed – did not have adequate supporting documentation and were not partially or fully approved and/or authorized.

We found that all claims for the 2019-20 school year were included on a warrant, as appropriate. However, District officials could not provide us with signed warrants for the 2019-20 school year.

Because the current claims auditor (who was appointed in 2018) did not receive any formal training related to the position's duties, certain claims were paid without adequate authorization or support. Therefore, the District has an increased risk that it may not have received the goods and services that it

...District officials could not provide us with signed warrants for the 2019-20 school year.

¹ Refer to Appendix B for further information on our sample selection.

purchased, and/or it could have paid for inappropriate claims that were not for District purposes.

Credit Card Claims Were Not Adequately Approved and Supported

The Board adopted a credit card policy and regulations (procedures) that describe appropriate credit card use and maximum spending limits and identify individuals who are authorized to use District credit cards. The policy requires credit card users to retain itemized receipts for credit card purchases to provide evidence that the expenditures are prudent and proper and to document the reasons for the purchases.

Also, when credit card users use a District credit card to pay for meals for participants at a District meeting or other event, the policy requires them to list the meeting attendees and indicate the purpose of the meeting. In addition, the Board adopted a meals and refreshments policy and procedures that require the Superintendent to authorize all meals and/or refreshments provided at meetings, training presentations and staff development days.

We found that employees did not consistently comply with District purchasing policies associated with credit card use or meals and refreshments purchases. The District had two credit cards in the Superintendent's and Assistant Superintendent's names.

The Superintendent used his District credit card to purchase various meals and refreshments, but he did not follow the District's requisition and PO process. Because the Superintendent was the primary authorization for meals/refreshments, he should not make these purchases. Alternatively, the District should establish an alternate authorizer for the meals and refreshments purchased by the Superintendent.

When the Assistant Superintendent retired, District officials did not cancel his District credit card. As a result, the AP clerk used it to make various approved online purchases.

We reviewed all 21 credit card claims packets, which included 260 purchases totaling \$33,608, that were generated during the 2019-20 and 2020-21 school years. We found that 170 purchases totaling \$18,938 did not have an approved requisition and PO (Figure 3).

FIGURE 3

Were Credit Card Claims Reviewed Supported?



Of the 170 purchases, we found that 44 purchases totaling \$1,969 were for meals and refreshments. However, the claims for these purchases did not include detailed information regarding attendees and purpose, as required. We determined the purchases were typically for Board meetings and training events, and we did not identify any personal expenditures.

We also identified 21 other purchases totaling \$3,279 that were missing adequate supporting documentation.

Because the purchases that we reviewed did not have adequately documented approval or adequate supporting documentation, we could not determine whether they were for appropriate District purposes.

What Do We Recommend?

The Board should:

6. Ensure that the individual who reviews POs is independent of the purchasing process.

District officials should:

7. Provide the claims auditor with adequate training to complete the duties of the position.
8. Immediately cancel credit cards assigned to officials and employees who leave District employment.

District officials and the claims auditor should:

9. Ensure all claims have adequate supporting documentation and are properly audited before payment.

-
10. Retain signed warrants to document that claims were approved prior to payment.
 11. Ensure credit card purchases comply with District policies and procedures.
 12. Establish an alternate authorizer for the meals and refreshments purchased with the Superintendent's credit card.

Appendix A: Response From District Officials



Weedsport Central School District

**2821 East Brutus Street
Weedsport, New York 13166-9105**



Shaun A. O'Connor, Superintendent of Schools

Melinda Ervay, Assistant Superintendent of Instruction

(315) 834-6637

May 3, 2022

Edward V. Grant Jr., Chief Examiner
Division of Local Government and School Accountability
Office of the State Comptroller
The Powers Building, 16 West Main Street, Suite 522
Rochester, New York 14614

Dear Chief Examiner Grant:

This letter is in response to the *Draft Report of Examination: Payroll* and *Draft Report of Examination: Procurement and Claims Audit* that were reviewed and discussed at the exit conference held on April 22, 2022 which included, in attendance, members of your staff, a member of the Weedsport Central School District Board of Education, myself, and the District Treasurer. I firmly believe that it is the opinion of all that this process and the subsequent outcomes will have a positive impact on our school district.

This is a response to the draft audit report conducted by the New York State Comptroller's Office for the Weedsport Central School District. The period covered by the examination reports is July 2019 – October 2021.

On behalf of the school board and community, we would like to thank the staff at the New York State Comptroller's Office for taking the time to review, analyze, and suggest ways to improve our financial operations in the District. We are currently working on our corrective action plan which will give pointed responses to all issues that were identified describing exactly what steps we will take to address each specific matter. We are constantly looking at ways to develop and improve our practices and will use these Draft Reports as tools to improve. The District is in general agreement with the findings included in the Draft Reports, and we are pleased to see that there is no evidence of fraud or deliberate wrongdoing.

The District office administrators and staff have already started to address some of the matters outlined in the audit results so as to implement procedures that align with Commissioner's Regulations and the policies set by the Board of Education that will be detailed in our Corrective Action Plan.

We would like to comment positively on the field staff that performed this audit. We found your staff to be professionally competent and profoundly patient as they diligently performed their work. They deserve to be lauded for a job well done.

Respectfully,

Renee Munn
President, Board of Education

Shaun A. O'Connor
Superintendent of Schools

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 to gain an understanding of the District's procurement and claims audit processes.
- We reviewed and evaluated the District's purchasing, credit card and meals and refreshments policies and procedures.
- We used our professional judgment to review payments totaling \$1.57 million made to 18 vendors during the period July 1, 2019 through June 30, 2021. We chose to review these payments because they exceeded \$10,000, individually or in aggregate, within a 12-month period. For purchases that exceeded competitive bidding thresholds, we reviewed documentation to determine whether employees sought competition, including using quotes or bids, or purchased items through a State or other municipal contract.
- When appropriate documentation was not maintained to demonstrate competition was sought or another acceptable purchasing method was used, we discussed these purchases and vendors with District officials or employees to determine why competitive bidding or other acceptable purchase methods were not used. For individual or aggregate purchases that were below competitive bidding thresholds, we discussed them with District officials and employees to determine the process they followed to purchase these goods and services. We also reviewed any available supporting documentation for these purchases, such as quotes, RFPs, proposals or State contract information.
- We used our professional judgment to review payments totaling \$1.57 million made to 12 professional service vendors from July 1, 2019 through June 30, 2021. These payments represented all professional service purchases made by the District within a 12-month period. We reviewed documentation to determine whether District officials sought competition before awarding professional service contracts. We also used our professional judgment to determine whether the services procured were appropriate. For those services where the District did not seek competition, we asked officials or employees for additional information.
- We determined whether the District had written agreements with its professional service providers and examined the agreements that were available to determine whether they included the type of services and time frame for when the services would be provided and the compensation to be paid.
- We used our professional judgment to review 49 claims packets totaling \$262,712, of 2,453 total claims packets totaling \$13.9 million, paid during

our audit period. We chose to review these claims based on the potential risk indicated by the type of purchase (e.g., reimbursements, store account purchases, food and travel) and costs that exceeded \$400. These 49 claims packets represent all claims that met our selection criteria. We reviewed these claims to determine whether they were properly approved and authorized and had adequate supporting documentation before they were paid and whether they were for appropriate District purposes.

- We reviewed all 21 credit card claims packets, which included 260 purchases totaling \$33,608, generated during the 2019-20 and 2020-21 school years. We reviewed each purchase to determine whether it was properly approved and authorized and had adequate supporting documentation before it was paid and whether it was for an appropriate business purpose. We also determined whether credit card users complied with the District's credit card policy and purchasing process while making credit card purchases. In addition, we determined whether staff complied with the District's meals and refreshments policy while using credit cards to purchase meals and refreshments.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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