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Report Highlights

Mexico Academy Central School District

Audit Objective

Determine whether Mexico Academy 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 when purchasing goods and services as required by the District's procurement policy. As a result, officials could not assure taxpayers that they procured goods and services in the most prudent and economical manner. Officials did not:

- Seek competition when procuring professional services for occupational and physical therapy, legal, music therapy, advising and architectural services from seven vendors totaling \$640,880 out of the eight vendors reviewed totaling \$661,880.
- Obtain written quotes for the purchase of like-kind items from three vendors totaling \$17,762 and did not maintain documentation to justify they used a sole source provider for the purchase of goods and services totaling \$54,045 from nine vendors.

Key Recommendations

- Periodically issue requests for proposals (RFPs) to solicit competition when seeking professional services.
- Obtain written quotes as required by the procurement policy.
- Maintain documentation to justify using a sole source provider.

District officials agreed with our findings and indicated they will develop a corrective action plan.

Background

The District serves the Towns of Hastings, Mexico, New Haven, Palermo, Parish, Richland, Scriba and Volney in Oswego County.

The seven-member elected Board of Education (Board) is responsible for the general management and control of financial and educational affairs.

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

The Business Executive and the Business Manager are the Board-appointed purchasing agents, responsible for overseeing the District's purchasing activities.

Quick Facts

Purchases and Professional Services Not Subject to Competitive Bidding	\$1.4 million
Purchases and Professional Services Expenditures Reviewed	\$971,411
Employees	495
Enrollment	1,884

Audit Period

July 1, 2021 – May 24, 2023

Procurement

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

School district officials must adopt written policies and procedures for procuring goods and services not subject to competitive bidding requirements, such as professional services and procurements below statutory bidding thresholds. Such policies and procedures should help ensure the prudent and economical use of public money, and help guard against favoritism, extravagance, fraud and abuse. Professional services generally require specialized skills, training and expertise; use of professional judgment; and/or a high degree of creativity. For example, professional services can include legal, medical, auditing, architectural and consulting services.

Using competitive methods, such as a request for proposals (RFP) process or requesting verbal or written quotes, are effective ways officials can help ensure that quality goods and services are obtained at a reasonable cost and in the taxpayers' best interest.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)).

Officials should adhere to the District's procurement policy and regulation (policy) that requires an RFP process to procure professional services and to obtain three formal proposals or written quotes for purchase contracts between \$4,001 and \$20,000 and for public works contracts between \$20,001 and \$35,000. The RFP process should include, but not be limited to, developing specifications designed to ensure the successful proposer's ability to perform the proposed contract; appropriate advertisement or solicitation of proposals; a review and evaluation of each proposal and Board approval of the contracts awarded.

In accordance with the District's policy, officials should ensure each purchase has sufficient documentation and information to demonstrate that the purchase was made in compliance with the procurement policy. This documentation should include the procurement method used, as well as justification for any contract that was awarded for any other reason other than lowest offer.

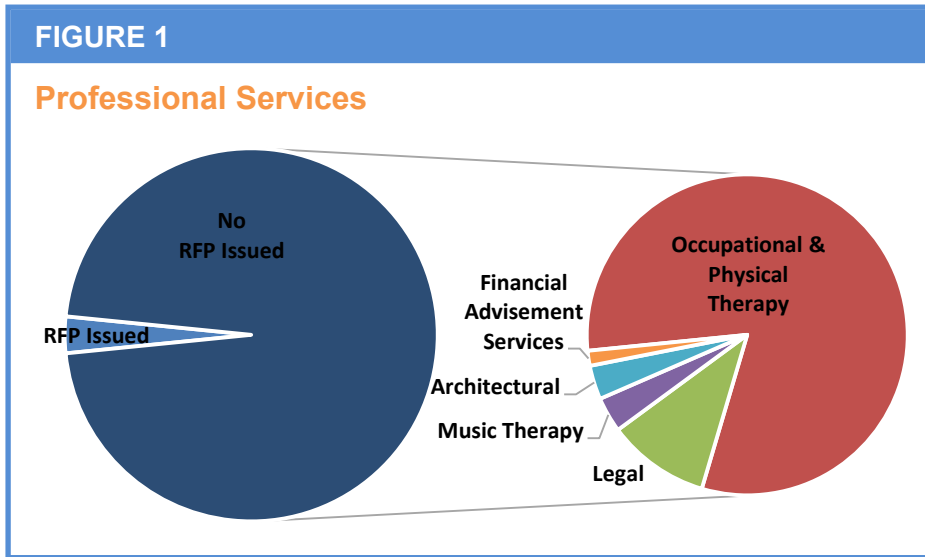
Officials Did Not Always Seek Competition for Professional Services

We reviewed the procurement of services from all eight professional service providers paid a total of \$661,880 from July 1, 2021 through June 30, 2022 and

Using competitive methods...help[s] ensure that quality goods and services are obtained at a reasonable cost and in the taxpayers' best interest.

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

determined that District officials did not issue RFPs for the services provided by seven professional service providers who were paid a total of \$640,880 (97 percent) (Figure 1).



Officials properly issued an RFP prior to selecting the District’s external auditor, which the District paid \$21,000.

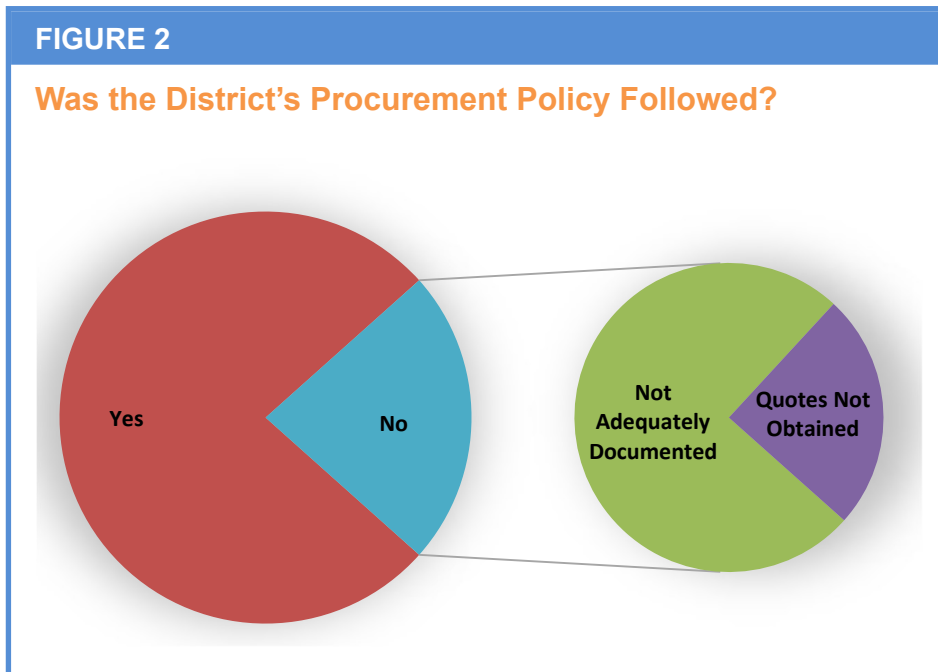
The Business Executive told us the District did not issue an RFP for legal, financial advisement, and occupational and physical therapy services due to longstanding business relationships with each of the providers and the contractors’ familiarity with the District’s needs. However, the Board did not periodically issue RFPs to assess the services’ cost-effectiveness.

The Business Executive told us they did not issue an RFP for music therapy services due to an oversight. The Business Executive also said, in the past, officials issued an RFP for architectural services but could not provide documentation to support this statement. However, during the audit, officials issued an RFP for architectural services for the 2022-23 fiscal year.

Soliciting professional 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. Furthermore, using RFPs can increase District officials’ awareness of other service providers who could offer similar services at a more favorable cost.

Officials Did Not Always Obtain Required Quotes

We reviewed 40 purchases totaling \$309,531 from July 1, 2021 through June 30, 2022 to determine whether officials obtained written quotes, as required by the District's policy. Although all the payments were for appropriate purposes, officials could not support that they sought competition or why seeking competition was not necessary for payments to 12 vendors totaling \$71,807 (23 percent) (Figure 2).



- The District paid seven vendors a combined total of \$40,230 for educational products and services, including educational software, licenses and subscriptions; science and robotics kits; workbooks; and the inspection of specialized equipment and a challenge course that are a part of a physical education curriculum. The Business Executive told us that each of these products and services are specialized in what they offer teachers and students, and they consider the vendors to be sole source providers. However, District officials did not maintain documentation to show that no competition was available for the items or that the items provide a unique benefit and were only available from a sole source provider to justify their decision to not obtain quotes for the purchases as required by the policy.
- The District paid two vendors \$9,762 for sports uniforms and another vendor \$8,000 for reconditioning and decals for football helmets. The District purchased like-kind items (e.g., uniforms of different sizes) that, when aggregated, exceeded the quote threshold and required written quotes

according to District policy. The Business Executive and Business Manager told us it was an oversight not to obtain quotes for these purchases.

- The District paid one vendor \$8,250 for a service contract to maintain the bus camera systems and another vendor \$5,565 for a technical support contract for the bus transportation software. The Business Executive told us they consider both vendors to be sole source providers because the District bought the software and camera system through the same vendor who provided the services. However, District officials did not maintain documentation to support that there were no other vendors available that could provide the same services.

Because District officials did not always seek competition or document why they did not seek competition for these purchases, they cannot be sure that the goods and services were procured in the most prudent and economical manner in taxpayers' best interests.

District officials documented they used competitive methods when needed to procure the remaining purchases we examined totaling \$237,724 from 28 vendors. Such purchasing methods included using State, BOCES or other government contracts; obtaining required written quotes; or maintaining supporting documentation for emergency purchases or those from sole source providers.

What Do We Recommend?

The Board and District officials 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.

District officials should:

2. Use an RFP process to periodically solicit competition when procuring professional services, as required by the policy.
3. Obtain and document proposals and written quotes as required by the policy.
4. Maintain documentation of the justification for using a sole source provider.

Appendix A: Response From District Officials



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CENTRAL ADMINISTRATION

Dr. Donna Runner
Superintendent of Schools

Colleen Root
Assistant Superintendent for
Curriculum & Instruction

Elizabeth DiCosimo
Assistant Superintendent for
Teaching and Learning

Sheilla Roth
School Business Executive

Harmony Rice
Secretary to the Superintendent
and
District Clerk

August 14, 2023

Rebecca Wilcox, Chief of Municipal Audits
Office of the New York State Comptroller
Division of Local Government & School Accountability
110 State Street 12th Floor
Albany, NY 12236

Dear Ms. Wilcox,

The Mexico Academy & Central School District is in receipt of the Draft Audit Report – *Procurement for the Audit Period July 1, 2021 – May 24, 2023*, prepared by the Office of the State Comptroller. On behalf of the Board of Education and the District Administration, I would like to start by thanking the Comptroller’s staff for their professionalism during the audit. The District considers every audit a learning experience and understand the recommendations will help improve our systems and operations.

Over the course of more than a year, the State Comptroller’s Office auditor reviewed the procedures, processes and policies of the Mexico Academy & Central School District and was given direct access to all of the District’s purchasing files. The Business Office and other department staff were available throughout the process to answer questions and provide reports and supporting documentation. As expected, no instance of fraud or misappropriation of funds were discovered. The Business Office has a continuous improvement focus and works closely with internal, external and the claims auditor to continually review procedures and improve controls.

The District is in agreement with the findings that in some cases, policies were not followed for obtaining RFP’s even though the District was not legally required to obtain them. Due to turnover in the Business Official position, several of the requests for backup for RFP’s were not able to be located, so the assumption was made by the Comptroller that they were not done. In recent years, additional RFP’s have been obtained and documentation is on file.

The District appreciates the recommendations made by the Comptroller’s office and will continue to assess policy and procedures as we develop the required corrective action plan for these findings.

Sincerely,

Dr. Donna Runner
Superintendent

Mission: Educate and motivate our students to be successful, responsible citizens. • **Vision:** Recognized as a school district that inspires excellence and leadership in all!

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 involved in the purchasing process and reviewed Board meeting minutes, relevant laws and the District's procurement policy and procedures to gain an understanding of the procurement process.
- We reviewed electronic disbursements data for the period July 1, 2021 through June 30, 2022 and sorted data to select the population of purchases subject to quotes and RFPs.
- To test the procurement of professional services, we reviewed the disbursement data and spoke with District officials to identify vendors that provided professional services. We identified eight professional service providers who the District collectively paid \$661,880 from July 1, 2021 through June 30, 2022. We reviewed these purchases to determine whether the District issued RFPs to procure these services.
- To test the procurement of goods and services that were subject to written quotes per District policy, we excluded from the disbursement data purchases that required soliciting competitive bids and purchases that did not meet the District's policy thresholds for written quotes. We also excluded payments made to other school districts, municipalities, debt, payroll, transfers to other District funds, employee reimbursements and insurance policy payments. We identified 40 purchases totaling \$309,531 from July 1, 2021 through June 30, 2022 that required written quotes. 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 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

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