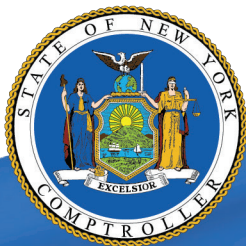


Jefferson Community College

Procurement

OCTOBER 2017



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

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Report Highlights

Jefferson Community College

Audit Objective

Determine whether the procurement of goods and services was appropriate, and compliant with competitive bid statutes and College policies.

Key Findings

- The College generally complied with competitive bidding statutes and its purchasing policy.
- College officials sought competition for three professional services costing \$89,568 but they did not seek routine competition for services provided by an insurance agency that was paid \$86,013 during our audit period.
- The College's purchasing policy does not address insurance coverage and competitive methods to procure it.

Key Recommendations

- Revise the College's purchasing policy to include a method to seek competition for insurance coverage.

College officials agreed with our recommendation and indicated they planned to initiate corrective action.

Background

Jefferson Community College (College), chartered in 1961, is sponsored by Jefferson County and is part of the State University of New York system. The College campus is located in the City of Watertown. The College is governed by a Board of Trustees (Board) composed of nine appointed members and one elected student trustee.

The College President is the chief executive officer and the Vice President for Administration and Finance/Treasurer serves as the chief financial officer. The Vice President's administrative assistant is the purchasing agent and the Executive Director for Finance and Human Resources approves all contractual agreements.

Quick Facts

Employees	415
Enrollment	3,668
2016-17 Budgeted Appropriations	\$28.7 Million
9/1/15-11/28/16 Non-Payroll Payments / Total	10,320 / \$33.1 Million

Audit Period

September 1, 2015 – November 28, 2016

Procurement

How Should a College Procure Goods and Services?

New York State General Municipal Law (GML) requires that goods and services be procured in a manner to ensure the prudent and economical use of public funds, in the best interest of residents, to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost or best value basis. With certain exceptions,¹ colleges are generally required to advertise for competitive bids when procurements exceed certain dollar thresholds.

GML further requires colleges to adopt policies and procedures governing the purchase of goods and services that are not required by law to be procured pursuant to competitive bidding requirements, such as professional services and insurance coverage. The College's purchasing policy should clearly indicate when College officials and employees involved in the purchasing process must obtain competition, outline procedures for determining the competitive method that will be used and describe the documentation requirements and responsibilities. These methods can include competitive bidding, sending out a request for proposal (RFP) and obtaining written and verbal quotes.

Purchases Complied with Competitive Bidding Statutes and College Policy

GML generally requires colleges to solicit competitive bids for purchase contracts that aggregate to more than \$20,000 and public works contracts that aggregate to more than \$35,000 in a 12-month period. Exceptions from competitive bidding requirements include purchases made through an OGS contract or from a sole source vendor when soliciting competition is not possible.

The College's purchasing policy requires College officials to obtain two written quotes for material, equipment or service purchases costing between \$1,500 and \$5,000 and three written quotes for materials and equipment purchases costing between \$5,000.01 and \$20,000. Three written quotes are required for public works/service purchases costing between \$5,000.01 and \$35,000 and for equipment rentals that exceed \$10,000.

We reviewed nine payments totaling \$275,247 and found that the payments reviewed generally complied with competitive bidding statutes and were for appropriate College purposes. College officials solicited competitive bids and selected the lowest bidder or used State awarded OGS contracts or a sole source vendor for the purchases tested. We also reviewed two payments totaling \$45,013 for smart televisions and repairs to a fiber optic line that were subject

¹ Purchases made through the New York State Office of General Services (OGS), purchases made through certain county and federal contracts, purchases made through the use of certain contracts let by other states or political subdivisions, emergency purchases, professional services and purchases from a legitimate sole source.

to quotes. The College complied with its policy and the payments were for appropriate purposes (Figure 1).

Figure 1: Goods and Services Purchases Tested

	Expenditure
Software and Licenses	\$109,549
Computer and Technical Equipment	\$73,508
Subscriptions and Publications	\$47,344
Instruction	\$44,449
Repairs and Maintenance	\$25,845
Fitness Equipment	\$19,565
Total	\$320,260

College Officials Did Not Solicit Competition for Insurance

According to the College’s purchasing policy, the Purchasing Department (Department) is responsible for issuing RFPs for professional services when determined appropriate. The RFP must include specific language to identify the award method. The Department may, upon request, collaborate with other College departments to review professional service contracts and assist in identifying when soliciting formal RFPs would be appropriate. Such RFPs are developed by the individual departments and issued through the Department. All other professional service contracts are documented by the individual department. The College’s purchasing policy does not address insurance coverage and methods to procure it.

We reviewed the College’s procurement of insurance² and services from three professional service providers totaling \$175,581. All of these procurements were for legitimate and appropriate College purposes. While College officials sought competition for the professional services³ costing \$89,568 at periodic and reasonable intervals, officials did not routinely seek competition for insurance coverage provided by their insurance agency totaling \$86,013.

College officials told us that their insurance agency issues RFPs every three years to insurance providers who then provide quotes to the agency. The agency provides the quotes to officials who select the provider and the agency bills the College for the insurance policies issued. However, College officials do not solicit proposals from any other insurance agencies to compare services and costs.

2 Commercial, auto, theft and umbrella insurance.

3 Campus security, certified public accountant and consultants.

Without periodic competition, the Board cannot ensure that the insurance is being procured the most economical way and in the College's best interests.

What Do We Recommend?

College officials should:

1. Revise the purchasing policy to include a method for seeking competition for insurance coverage.

Appendix A: Response From College Officials



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Office of the Vice President for
Administration and Finance

October 19, 2017

Office of the New York State Comptroller
Division of Local Government & School Accountability
Attn: Rebecca Wilcox, Chief Examiner
State Office Building, Room 409
333 E. Washington Street
Syracuse, NY 13202-1428

Dear Ms. Wilcox:

Jefferson Community College is in receipt of the Office of State Comptroller's draft audit report for the period covering September 1, 2015 – November 28, 2016.

This letter is to inform you that we are pleased with the results of the audit held this past summer. We also appreciate your key recommendation for improving the process of procurement. The improvement recommendation has been duly noted and our revised policy will be presented to the Board of Trustees for adoption to adhere to the recommendation provided within this audit report.

We thank you for your time and effort spent during the auditing process to improve the financial procedures of Jefferson Community College.

Sincerely,

Daniel Dupee, II
Vice President for Administration & Finance, Treasurer

cc: T. Stone, President
T. Fralick, Board of Trustees
K. Young, Executive Director of Finance

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, we performed the following audit procedures:

- We interviewed College officials and employees involved in the procurement process.
- We reviewed the College's purchasing policy and evaluated its adequacy.
- We judgmentally selected four vendors based on those that appeared to be for professional services and were for large dollar amounts. We requested and reviewed documentation to determine whether RFPs were issued.
- We judgmentally selected the nine highest dollar amount payments to vendors whose payments exceeded the bidding threshold. We reviewed bid documents to determine whether purchases were properly bid and that the lowest responsible bidder or best value was selected, in compliance with GML and the purchasing policy. We also reviewed documents to determine whether purchases were made using an OGS contract or sole source vendor.
- We judgmentally selected a vendor for public works that required written quotes based on vendor names and dollar amounts that appeared to be public works contracts, with no known biases. We reviewed claim packets and other supporting documents to determine whether officials complied with the purchasing policy.
- We judgmentally selected one vendor for an equipment purchase whose payment was subject to written quotes based on vendor names and dollar amounts, with no known biases. We reviewed claim packets and other supporting documents to determine whether officials complied with the purchasing policy.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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 relevant population size and the sample selected for examination.

A written corrective action plan (CAP) that addresses the finding and recommendation in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. 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. We encourage the Board to make the CAP available for public review in the Assistant to the President's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

Research Reports / Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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