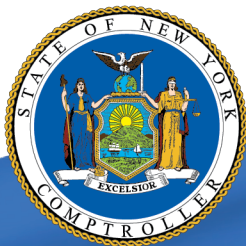


Lake George Central School District

Purchasing

NOVEMBER 2018



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

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Report Highlights

Lake George Central School District

Audit Objective

Determine whether the District sought competition when purchasing goods and services that fell below the statutory bidding thresholds.

Key Findings

- Our review of 60 purchases made during the audit period totaling nearly \$342,000 disclosed that District officials lacked adequate evidence to show they sought competition for 28 purchases (47 percent) totaling about \$152,000.
- The Board did not develop and implement procedures to seek competition for purchasing goods and services that were not required to be competitively bid.

Key Recommendations

- Maintain appropriate evidence to document competition was sought based on established requirements.
- Ensure adequate procedures are developed and distributed to appropriate employees and officials.

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

Background

The Lake George Central School District (District) serves the Towns of Lake George, Queensbury, Bolton and Fort Ann in Warren and Washington Counties.

The elected seven-member Board of Education (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 day-to-day management under the Board's direction.

The Business Manager is the Board-appointed purchasing agent responsible for approving all purchases and ensuring they are made in accordance with District policy, regulations and applicable laws. The Board-appointed claims auditor is responsible for determining that a claim, among other things, meets procurement policy requirements.

Quick Facts

Enrollment	797
Employees	224
2017-18 Appropriations	\$22.9 million
Purchases Not Requiring Competitive Bidding During Audit Period	\$2.2 million

Audit Period

July 1, 2016 – May 31, 2018

Purchasing

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

New York State General Municipal Law (GML) requires the board to adopt and annually review written policies and procedures for the procurement of goods and services not subject to competitive bidding¹ and generally requires school districts to solicit competitive bids for purchase contracts that equal or aggregate to more than \$20,000 and public works contracts that equal or aggregate to more than \$35,000.² Further, GML states that goods and services not required to be competitively bid must be procured in a manner which assures the prudent and economical use of public funds in the taxpayers' best interest.³

The Board-adopted purchasing policy (policy) states that the Board is responsible for ensuring the development of procedures for the procurement of goods and services not required by law to be made pursuant to competitive bidding requirements. In accordance with their policy, these procedures should define the methods⁴ to be used for procuring goods and services and specify when each method should be used, require adequate documentation of all actions taken with each method, identify circumstances when the defined methods will not be in the district's best interest, require justification and documentation for any purchase contracts awarded to other than the lowest responsible bidder and identify the individuals responsible for purchasing.

A district may elect to award purchase contracts that exceed the statutory thresholds to a responsive and responsible offeror on the basis of best value as an alternative to an award to the lowest responsible bidder. For this purpose, best value is defined, in part, as a basis for awarding contracts to the offeror that optimizes quality, cost and efficiency among responsive and responsible offerors. In assessing best value, non-price factors may be considered when awarding the purchase contract.

However, when possible, the basis for a best value award must reflect objective and quantifiable analysis. Even when purchases not required to be competitively bid are awarded on the basis of best value, the assessment and analysis should be adequately documented to support that basis.

1 New York State General Municipal (GML), Section 104-b.

2 GML, Section 103

3 GML, Section 104-b.

4 Includes using written requests for proposals, written or verbal quotes or any other method of procurement that furthers the purposes of GML, Section 104-b.

Officials Did Not Develop Procedures for Procuring Goods and Services Not Required to Be Competitively Bid

Despite the Board-adopted purchasing policy (policy) stating that the Board is responsible for ensuring procedures for the procurement of goods or services not subject to competitive bidding statutes be developed, District officials had not established or implemented any formal purchasing procedures. Additionally, because the Board did not annually review the policy as required, it did not ensure compliance with the policy. During audit fieldwork, District officials developed and the Board's audit and finance committee codified procedures in the District's purchasing and procurement regulations.

The lack of formal procedures prevented officials and employees from having clear guidance on steps to take when acquiring goods and services not required to be competitively bid and ensure the District was getting the best price possible when making purchases.

Purchases Lacked Evidence of Competition

We reviewed 60 purchases made during the audit period totaling \$341,716 to determine whether District officials sought competition for purchases that fell below bidding thresholds.⁵ We found that 28 purchases (47 percent) totaling \$152,001 were made without evidence that officials sought competition to obtain the lowest price.

Specifically, 16 purchases totaling \$90,693 were approved without seeking any competition. These included, but were not limited to, four purchases approved for horticulture supplies for a Grade 6 science program (\$13,162), installation of athletic equipment (\$11,500), choral risers for the music department (\$10,162) and a medical table for the nurse's office (\$1,541).

According to supporting documentation for the choral risers, this purchase was made on the basis of best value. Although the documentation stated that the price obtained was higher and this product had the best value, District officials lacked supporting evidence showing that they sought competition for this purchase and had an adequate basis for their determination that the product was the best value.

The Business Manager told us that the District initially intended to have its employees install the athletic equipment. However, due to time constraints caused by an emergency project that occupied staff, the District could not complete this

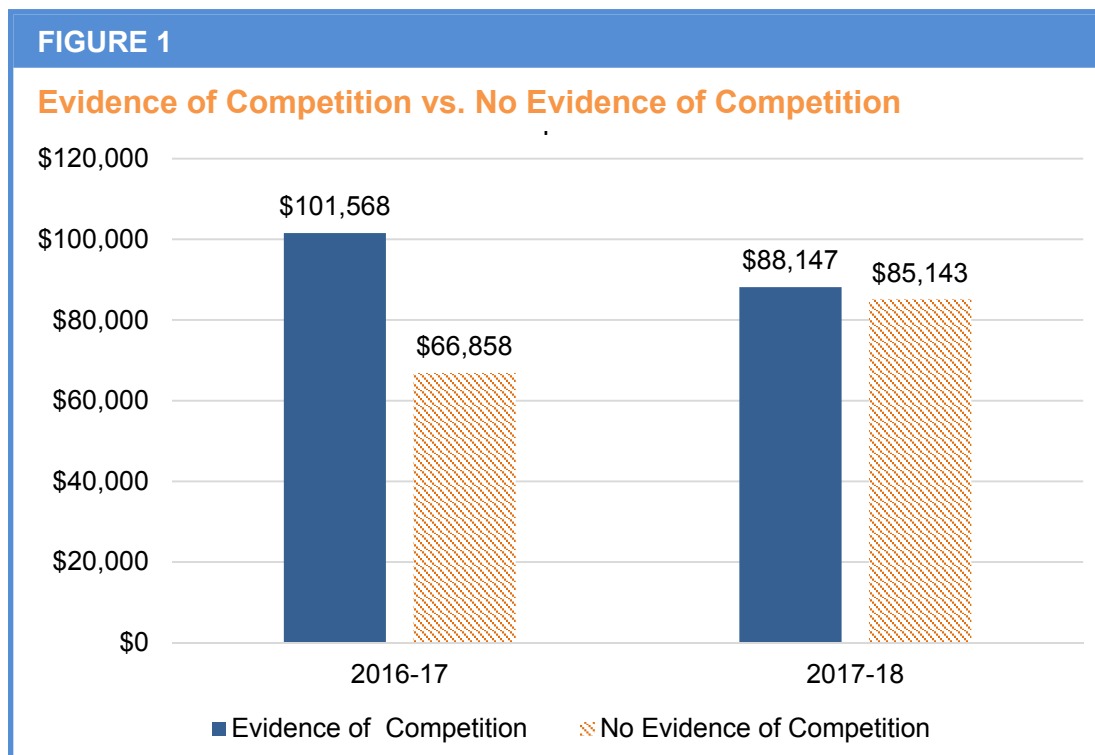
⁵ See Appendix B for details on sampling methodology.

work in a timely fashion. As a result, the Business Manager instructed the director of facilities to contact a local vendor to install the equipment.

District officials told us that competition was sought for the remaining 12 purchases totaling \$61,308. However, we found no evidence to support officials' assertions that competition was sought. For example, the District purchased a pole vault pit for \$17,685 from a vendor the purchasing agent deemed sole source and dirt for the baseball field for \$1,350 from a vendor identified as being the closest geographically with the best pricing but no documentation was available to support these decisions.

Additionally, we identified a professional service purchase for the installation of a replacement water heater for \$6,560. The director of facilities told us that three quotes were obtained for the installation work but they were not retained. Therefore, no documentation was available to determine whether competition was sought or that officials obtained the lowest price.

For the purchases reviewed, our testing showed that purchases totaling \$101,568 (60 percent) in 2016-17 and \$88,147 (51 percent) in 2017-18 were competitively purchased and purchases made without seeking competition or that lacked documentation of seeking competition totaled \$66,858 (40 percent) in 2016-17 and \$85,143 (49 percent) in 2017-18 (Figure 1).



Inconsistencies in purchasing occurred because the Board did not ensure formal procedures were developed and provided to District officials and employees to follow when making purchases of goods and services under statutory bidding thresholds. As a result, purchases were made without seeking competition and employees did not always retain adequate documentation to support the actions taken or justify purchases made by other methods.

Because District officials did not seek competition or maintain sufficient evidence that competition was sought for purchases below bidding thresholds they cannot be sure that goods and services were procured in the most prudent and economical manner in the best interest of taxpayers.

What Do We Recommend?

The Board should:

1. Ensure procedures are followed for procuring goods and services below bidding thresholds and distributed to appropriate employees and officials.
2. Require documentation of the competitive process be attached to each voucher before it is submitted for approval.

The Business Manager should:

3. Maintain adequate documentation to support that competitive purchasing practices are used by employees when procuring goods and services below bidding thresholds.

The claims auditor should:

4. Check to be sure that the established competitive procedures were followed.

Appendix A: Response From District Officials

LAKE GEORGE CENTRAL SCHOOL DISTRICT

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Lynne C. Rutnik
Superintendent of Schools

November 1, 2018

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
Glens Falls Regional Office
One Broad Street Plaza
Glens Falls, NY 12801-4396

Mr. Leonard,

This letter is in response to the NYS Comptroller's report, "*Purchasing: Report of Examination 2018M-167*". The examination took place at the Lake George Central School District Office, from April 2018 through June 2018. We would like to commend your department for the professionalism and courtesy displayed by your staff. We extend our thanks to [REDACTED]. They represent your office exceptionally well, and their thoroughness and professionalism should be commended. Through this process, we have enhanced a relationship with your office that will be beneficial to the district for many years to come. The expertise and assistance provided by your office is appreciated, and will continue to be utilized.

Over the course of several months [REDACTED] performed an extensive risk assessment of our District policies, practices and procedures prior to selecting this focus area. Areas reviewed include cash management, payroll and employee benefits, fixed assets, technology inventory control, and purchases above the bid threshold. The findings of the focus on Purchasing of goods and services that fall below the statutory bidding thresholds demonstrate that procedures were in place, however documentation was lacking in both the Board developed procedures, and in some instances, in documenting that items were either competitively purchased, or best value was used to purchase when the lowest price was not selected. We have implemented written procedures, shared those procedures with individuals involved in the purchasing process, and continue to look to responsibly administer taxpayer funds while keeping the best interest of our students, staff and community in the forefront.

This response includes our Corrective Action Plan regarding recommendations made in the report. Please see below for our planned actions:

Board of Education:

On June 28, 2018, the Audit and Finance Committee of the Lake George Board of Education reviewed and approved written procedures for purchases falling under the bid threshold. Included in the procedures is the requirement for appropriate documentation of competition, and a requirement for an annual review of these procedures. At the July 3, 2018 Board of Education meeting these procedures were reviewed and entered into the official records of the District. Added to the A&F Committee August standing agenda as a permanent item is the Review of the Purchasing and Procurement Procedures. This review will be reported out at the September BOE meeting, and copies of the procedures will be distributed to the appropriate staff at the start of the school year.

Business Official:

Once the written procedures were approved by the Board of Education Audit & Finance Committee and shared with the full Board of Education, the Business Official shared the procedures with all staff involved in purchasing. All purchase requests must include proof of competition or best value before being approved for ordering. The regulations are and will continue to be used as the guiding document when making purchases for the District.

Claims Auditor:

The Claims Auditor, as part of the audit of the warrant for payment, will confirm that supporting documentation is attached to claims before approving the claim for payment.

Sincerely,

Lynne Rutnik
Superintendent of Schools
Lake George Central School District

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 reviewed the District's policy manual to determine whether the Board adopted an adequate procurement policy with written procedures.
- We reviewed purchasing documentation and interviewed the Business Manager, department heads and other employees to gain an understanding of the District's purchasing procedures for goods and services under bidding thresholds.
- From the 534 purchases totaling \$2.2 million made during our audit period that did not require competitive bidding, we selected a random sample of 50 and a judgmental sample of ten general fund purchases. We reviewed these purchases to determine whether there was evidence that the goods and services were competitively purchased. The judgmental sample was based on the dollar amount, description, risk associated with aggregate purchasing and our professional judgment.

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 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 2116-1(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 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. We encourage the Board to make the CAP available for public review in the Clerk'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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