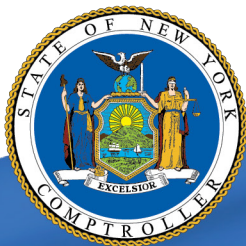


Remsenburg-Speonk Union Free School District

Procurement

JANUARY 2018



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

Contents

- Report Highlights 1**

- Procurement 2**
 - How Should a School District Procure Goods and Services? 2
 - Quotes Were Not Always Obtained 2
 - Purchases Were Not Always Requisitioned or Authorized. 3
 - What Do We Recommend? 3

- Appendix A – Response From District Officials 4**

- Appendix B – OSC Comment on the District’s Response. 5**

- Appendix C – Audit Methodology and Standards 6**

- Appendix D – Resources and Services. 7**

Report Highlights

Remsenburg-Speonk Union Free School District

Audit Objective

Determine if the District procures goods and services in accordance with its procurement policy and applicable statutes.

Key Findings

- Ten purchases totaling \$11,714 did not have the required verbal or written quotes attached.
- Six purchases totaling \$7,098 did not have requisition forms.
- Two purchases totaling \$11,555 were made without prior approval, resulting in confirming purchase orders (POs).

Key Recommendations

- Ensure District officials and employees obtain verbal or written quotes when required by the purchasing policy.
- Ensure District officials and employees use requisition forms and POs prior to making purchases.
- Ensure District officials and employees are aware of and enforce the District's procurement policies and procedures.

Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comment on the issue raised in the District's response letter.

Background

The Remsenburg-Speonk Union Free School District (District) is located in the Town of Southampton in Suffolk County. The District is governed by a Board of Education (Board) which is composed of five elected members. The Superintendent of Schools (Superintendent) is the chief financial officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The District designates a purchasing agent to approve all purchases and to ensure that proper documentation is present and that they comply with the District's purchasing policy.

Quick Facts

Employees	56
Enrollment	140
2016-17 Budgeted Appropriations	\$13,227,089

Audit Period

July 1, 2015 – April 30, 2017

Procurement

New York State General Municipal Law states that goods and services must 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 school districts are generally required to advertise for competitive bids when procurements exceed certain dollar thresholds. Districts must adopt their own policies and procedures for goods and services not required by law to be competitively bid.

How Should a School District Procure Goods and Services?

The District's purchasing policy requires three verbal quotes for purchases between \$1,000 and \$4,999, three written quotes for purchases between \$5,000 and \$19,999, three verbal quotes for public works contracts between \$1,000 and \$9,999 and three written quotes for public works contracts between \$10,000 and \$34,999. District purchases generally require requisition forms that list the goods or services to be purchased, the quantities and dollar amounts, budget codes and price quotes. These forms are reviewed and signed by the purchasing agent and Superintendent who authorizes the purchases. The signed forms are forwarded to the Business Office where purchase orders (POs) are issued. POs should be issued prior to the purchases of goods or services to ensure that the purchases are authorized and preapproved and that adequate funds are available. Confirming POs are issued after goods or services have been ordered or received. District officials must strictly limit the use of confirming POs to emergency purchases because such purchases circumvent the approval and price verification features of the purchasing process.

Quotes Were Not Always Obtained

We reviewed thirty purchases totaling \$160,066 and found that ten purchases totaling \$11,714 did not have the required quotes. For example, the District paid \$3,600 for air conditioning installation and maintenance services without obtaining the required quotes. This occurred because District officials and employees involved in the purchasing process did not always enforce the District's policies and procedures. When officials do not obtain quotes, the District risks acquiring goods and services at higher costs than necessary.

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

Purchases Were Not Always Requisitioned or Authorized

Six of the thirty purchases reviewed, totaling \$7,098, did not have requisition forms. For example, the District paid a vendor \$4,274 for air conditioning duct cleaning; however, the District was unable to provide a completed requisition form. Although the PO contained the purchasing agent's signature of approval to purchase the items, there was no signature indicating that the Superintendent reviewed or approved the purchase. Also, purchase orders for two of the 30 purchases were prepared and approved after the purchases were made, resulting in confirming POs totaling \$11,555 for non-emergency purchases. For example, a vendor submitted an invoice dated June 12, 2015, for \$10,083 for flooring/carpet installation services; however, the PO was dated July 1, 2015, 19 days after the invoice was prepared.

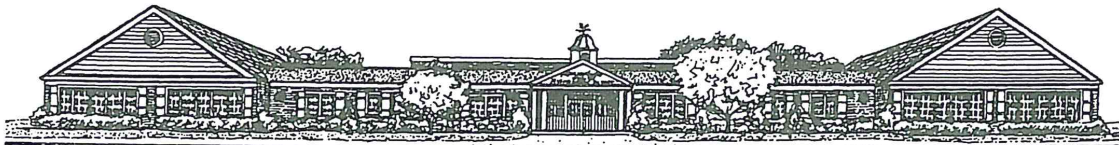
This occurred because District officials and employees involved in the purchasing process did not always enforce the District's policies and procedures. When purchases are made without requisitions and POs are issued after goods are purchased and services are performed, District officials may not be ensuring adequate funds are available in the budget. Also, there is an increased risk that purchases may not be for legitimate, necessary and authorized purposes and obtained on the most favorable terms.

What Do We Recommend?

The Board and purchasing agent should:

1. Ensure District officials and employees obtain verbal or written quotes when required by the purchasing policy.
2. Ensure District officials and employees use requisition forms and POs prior to making purchases.
3. Ensure District officials and employees are aware of and enforce the District's procurement policies and procedures.

Appendix A: Response From District Officials



Remsenburg - Speonk U.F.S.D.

11 Mill Road • P.O. Box 900 • Remsenburg, New York 11960 • (631) 325-0203
Fax (631) 325-8439 • www.rsufsd.weebly.com

December 11, 2017

Ira McCracken, Chief Examiner
Office of the State Comptroller
Local Government and School Accountability
250 Veterans Memorial Highway, Room 3A10
Hauppauge, NY 11788-5533

Re: Written Response to DRAFT Procurement, Report of Examination 2017M-211

Dear Mr. McCracken:

We would like to thank your auditing team for their work in auditing our procurement policies and procedures. It was a pleasure to work with them. The audit started at the end of the school year which can be a very busy time, however their professionalism made the audit process smooth. Our district's business office has been through a transition during the last year, which includes the appointment of a new purchasing agent. The guidance received by the auditors with regard to our transition has been very helpful. We will continue to use them as a resource in the future.

The following is the District's response to Key Findings and Recommendations in connection with audit period July 1, 2015 – April 30, 2017:

We agree that ten purchases totaling \$11,714 did not have the required verbal or written quotes attached. The new purchasing agent will ensure that district officials and employees obtain verbal or written quotes when required by the purchasing policy.

It is agreed that six purchases totaling \$7,098 did not have requisition forms attached that were signed by the Superintendent. The District converted to a new financial software, ██████████ in August 2016. The six purchases referenced in the draft report were created in the old financial software, ██████████. Requisitions for 2016/2017 that were not attached were able to be reprinted from the new software to the satisfaction of auditors. However, 2015/2016 requisitions are no longer accessible in the old program and therefore could not be reprinted. The district will ensure that requisition forms are attached to all paid claims in order to substantiate that purchasing practices are fully aligned to the District's internal control procedures.

We disagree that two purchases totaling \$11,555 were made without prior approval, resulting in confirming purchase orders. We do agree that one purchase totaling \$1,472 was made without prior approval. The purchase was for food in the cafeteria and the responsible party has been reminded of proper purchasing procedures. The second purchase had an invoice dated, June 12, 2015, which preceded the purchase order date of July 1, 2015. However, it is now apparent that the vendor made a clerical error on the invoice date. Notes in the claim package indicate that installation of the carpet occurred on July 7, 2015. It is unfortunate that we did not notice the clerical error prior to paying this invoice. The account clerk responsible for paying claims has been instructed to review vendor invoice dates for accuracy and request revisions when reasonably necessary.

Very truly yours,

Dr. Ronald Masera, Ed. D.
Superintendent

See
Note 1
Page 5

Appendix B: OSC Comment on the District's Response

Note 1

Based on the documentation dates in the claim package, the District purchased the carpet on June 12, 2015 prior to the authorization of the purchase order on July 1, 2015, which makes the purchase order confirming. Although the installation date was July 7, 2015, it is not necessarily an indication that the invoice date was a clerical error because the District must have purchased the carpet prior to the installation date.

Appendix C: 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 District officials and employees and reviewed laws and the District's purchasing policy and procedures to gain an understanding of the procurement process.
- We reviewed electronic disbursement data for the audit period and sorted the data by payment amount from largest to smallest. We excluded payments for items such as payments to other districts, payroll related expenditures, health insurance, reimbursements, and utilities, which would not be subject to competition. We judgmentally selected 30 claims totaling \$160,066 that fell within the District's purchasing policy requirements for obtaining quotes. We selected these claims to include higher risk items. We reviewed vouchers, vendor invoices and other supporting documentation to determine whether payments were supported and contained evidence that goods were received or services were rendered. We also determined whether quotes were attached and whether requisitions and POs were used.

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 size of the relevant population 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 D: 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

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.state.ny.us

www.osc.state.ny.us/localgov

Local Government and School Accountability Help Line: (866) 321-8503

HAUPPAUGE REGIONAL OFFICE – Ira McCracken, Chief Examiner

State Office Building, Room 3A10 250 Veterans Memorial Highway Hauppauge, New York
11788-5533

Tel: (631) 952-6534 • Fax: (631)-952-6530 • Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau, Suffolk counties



Like us on Facebook at facebook.com/nyscomptroller

Follow us on Twitter [@nyscomptroller](https://twitter.com/nyscomptroller)