

Tapestry Charter School

Procurement

JANUARY 2018



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

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Report Highlights

Tapestry Charter School

Audit Objective

Determine whether School officials used a competitive process to procure goods and services.

Key Findings

- The Board did not adopt a comprehensive purchasing policy.
- School officials made payments to 12 vendors totaling \$272,884 that required quotes, but did not obtain the required quotes for six of these vendors paid \$112,611 (or 41 percent) for goods and services.

Key Recommendations

- The Board should adopt a comprehensive purchasing policy to provide detailed guidance for School officials and employees involved with the procurement process.
- School officials should seek competition and obtain quotes for purchases as required by the policy.

School officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background

A charter school is a public school that is not under the local school board's control and is governed under Article 56 of New York State Education Law.

The Tapestry Charter School (School) is located in the City of Buffalo. An 11-member Board of Trustees (Board) is responsible for the general management and control of the School's financial and educational affairs. The Board appoints a Director of School (Director) who is responsible, along with the other administrative staff, for the School's day-to-day management under the Board's direction.

Quick Facts

Employees	136
2016-17 Enrollment	800
2016-17 Operating Expenses	\$11.6 million

Audit Period

July 1, 2015 – July 26, 2017

Procurement

What Is an Effective Procurement Process?

The State University of New York Board of Trustees (SUNY) provides fiscal operation guidance to charter schools including recommended best purchasing practices. The guidelines indicate that the Board should establish a purchasing policy that clearly identifies purchasing responsibilities, functions, and the use of bids and State contracts. A comprehensive purchasing policy should include detailed procedures that include the procurement authorization and approval processes, thresholds for when competitive bidding, request for proposals (RFP) and written/verbal quotes will be obtained, and procedures to verify the condition, quantity and quality of the goods prior to paying vendors. The written policies and procedures should also describe the procurement methods to use when competitive bidding is not required, including how these purchases and price quotations are documented. Soliciting competition by competitively bidding, using an RFP or obtaining written or verbal price quotations is an effective way to obtain the desired quality of goods and/or services at the lowest cost.

The Board's Procurement Policy Is Not Comprehensive

While the Board's procurement policy identifies certain responsibilities¹ and functions of School officials involved with the procurement process, it does not identify who is responsible to obtain, review and award procurement selection from competitive bids, RFPs or written/verbal quotes. Further, the policy requires a "reasonable effort" to obtain three quotes for the purchase of goods and services that are expected to exceed \$10,000 annually. This language can be interpreted in many ways, since reasonable effort is subjective. Additionally, the use of a single high threshold does not foster a competitive process for goods and services costing less than the \$10,000 threshold. Moreover, the policy does not define what type of quotes (written or verbal) will be obtained for purchases exceeding \$10,000 annually, and does not identify the use of competitive bidding or RFPs.

School Officials Did Not Always Competitively Procure Goods and Services

We reviewed payments made to 26 vendors totaling \$306,935 to determine whether School officials used a competitive process, such as competitive bids, RFPs or written/verbal quotes to acquire goods and services. The School made payments to 12 vendors totaling \$272,884 that either exceeded the policy's

¹ The Director and/or Assistant Director coordinate the purchase of supplies and services, and the Director (or his/her designee) signs invoices to indicate approval for payment.

\$10,000 threshold, or were payments in accordance with a contract that exceeded the \$10,000 threshold and, therefore, required a reasonable effort to obtain three quotes. However, the School did not obtain required quotes from six vendors paid \$112,611 (or 41 percent) for goods and services.² These purchases included instructional support services and supplies (\$80,783) and information technology equipment and support services (\$31,828). The School paid these six vendors a total of \$618,066 during our audit period. Further, while not required by the policy, the School did not obtain any quotes or solicit competition for the remaining 14 vendors who were paid a total of \$34,051.

School officials indicated obtaining quotes for purchases below \$10,000 would require additional staffing resources that the School does not have. Although the invoices examined were for appropriate School purposes, when School officials do not seek competition when procuring goods and services, they lack assurance that the procurements are at the best price, from qualified service providers and were not influenced by favoritism.

What Do We Recommend?

The Board should:

1. Adopt a comprehensive procurement policy to provide detailed guidance for School officials and employees with clear language addressing the procurement of goods and services.
2. Establish procedures to ensure the policy is followed when making procurements.

School officials should:

3. Develop procedures to ensure a competitive process is used to procure goods and services below the \$10,000 threshold.
4. Seek competition and obtain quotes for purchases as required by the policy.

² The School obtained quotes from the other six vendors.

Appendix A: Response From School Officials



December 15, 2017

Mr. Jeffrey D. Mazula
Chief Examiner of Local Government and School Accountability
State of New York Office of the State Comptroller
Buffalo Regional Office
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

Dear Mr. Mazula:

The Board of Trustees of Tapestry Charter School has reviewed your draft Report of Examination 2017M-203 for Tapestry Charter School for the period from July 1, 2015 to July 26, 2017. We appreciate your input and welcome the opportunity to strengthen the existing internal controls of our School.

We recognize and appreciate the need to revisit and evaluate the effectiveness of our internal controls on an on-going basis. We also appreciate the opportunity to have met with you at the exit conference on December 6, 2017, which gave us the opportunity to address findings and further clarify certain items noted in your preliminary report. We believe the following responses address the matters reported in the preliminary draft and we are committed to developing a corrective action plan within 90 days of the date of the preliminary report.

We now present for you our responses to the State Comptroller's recommendations:

Recommendations

The Board should:

1. Adopt a comprehensive procurement policy to provide detailed guidance for School officials and employees with clear language addressing the procurement of goods and services.
2. Establish procedures to ensure the policy is followed when making procurements.

School officials should:

3. Develop procedures to ensure a competitive process is used to procure goods and services below the \$10,000 threshold.

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4. Seek competition and obtain quotes for purchases as required by the policy.

Responses

1. The School is in the process of updating its purchase and procurement policy to ensure it provides clear guidance to assist employees in obtaining the "best value" when procuring goods and services for the School. The updated policy will be adopted by the Board of Trustees.
2. The updated purchase and procurement policy will include detailed procedures for staff to use with dollar range thresholds. The procedures will be evaluated periodically and monitored to ensure adherence to the updated policy. The Board of Trustees will evaluate the policy annually and develop a consent agenda related to approval of procurement of goods and services.
3. School officials are in the process of evaluating the dollar threshold in which a competitive bid process will be utilized for procurement of goods and services. The School follows best practices and will evaluate other schools competitive bid procurement policies to develop and appropriate dollar threshold taking into consideration the relative size of the school.
4. School officials will ensure the updated policies include detailed procedures to obtain quotes for purchases.

Very truly yours,

Eric Klapper
Executive Director
Tapestry Charter School

cc: Gregory P. Gallson, President – Board of Trustees

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 Section 2854 of the New York State Education Law, as amended by Chapter 56 of the Laws of 2014. To achieve the audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed School officials, employees and staff from the School's accounting firm to gain an understanding of the School's procurement and disbursement process.
- We reviewed the School's purchasing policy and procedures and evaluated their adequacy and whether they meet SUNY guidelines.
- We judgmentally selected payments to 26 vendors totaling \$306,935 and reviewed the related supporting documentation such as invoices, bids and quotes to determine whether the School solicited competition for the purchase of the respective goods and services.

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.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days. 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 School Board Secretary's office.

Appendix C: Resources and Services

Regional Office Directory

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

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

<http://www.osc.state.ny.us/localgov/costsavings/index.htm>

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

<http://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

<http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm>

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

<http://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

<http://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

<http://www.osc.state.ny.us/localgov/finreporting/index.htm>

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

<http://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

<http://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

BUFFALO REGIONAL OFFICE – Jeffrey D. Mazula, Chief Examiner

295 Main Street, Suite 1032, Buffalo, New York 14203-2510

Tel: (716) 847-3647 • Fax: (716) 847-3643 • Email: Muni-Bufferalo@osc.state.ny.us

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