

Byron-Bergen Central School District

Procurement

NOVEMBER 2018



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

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Report Highlights

Byron-Bergen Central School District

Audit Objective

Determine whether District officials use competitive methods to procure goods and services.

Key Finding

- District officials made 40 purchases, of 77 reviewed, totaling approximately \$184,000 without always obtaining or documenting price quotes as required by the purchasing policy.

Key Recommendation

- Ensure that officials obtain the necessary number of competitive quotes as required by the purchasing policy.

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

Background

The Byron-Bergen Central School District (District) serves the Towns of Batavia, Bergen, Byron, Elba, LeRoy and Stafford in Genesee County; the Towns of Riga and Sweden in Monroe County; and the Town of Clarendon in Orleans County.

The District is governed by an elected seven-member Board of Education (Board). 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 Superintendent has also been appointed by the Board as the purchasing agent and is responsible for overseeing the procurement process. The Board-appointed claims auditor is responsible for examining all claims or demands against the District and has the authority to authorize or reject payment.

Quick Facts

Employees	190
Enrollment	900
2018-19 Budgeted Appropriations	\$23 million

Audit Period

July 1, 2016 – June 6, 2018

Procurement

New York State General Municipal Law (GML)¹ generally requires school districts 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, within a year. GML states that goods and services that are not required by law to be bid must be procured in a manner to assure the prudent and economical use of public money in the best interest of the taxpayers and that procurements are not to be influenced by favoritism, extravagance, fraud or corruption.

How Should a School District Procure Goods and Services?

GML² generally requires school districts to adopt written purchasing policies and procedures that require competitive proposals or quotes through a written request for proposals (RFP), written or verbal quotes, or any other method that furthers the purpose of the law. A school district's procedures should also require documentation of actions taken for each method of procurement; justification and documentation of any contract awarded to other than the lowest responsible dollar offeror; and documentation of any circumstances when such competitive methods would not be in the best interest of the school district.

A board-appointed claims auditor should monitor compliance with these policies and procedures when auditing claims and approving them for payment. A board-appointed purchasing agent should ensure officials have obtained the appropriate number of quotes prior to approving purchases.

The District's purchasing policy requires a specific number of written or verbal quotes based on established dollar thresholds for purchasing goods and for public works contracts. The policy defines public works contracts as applying to goods and services where services are a larger component of the product. The District's purchasing policy required the following (Figure 1).³

Figure 1: Purchasing Policy Guidelines

Purchasing goods between	\$751 - \$1,500	Two verbal quotes
Purchasing goods between	\$1,501 - \$4,000	Three verbal or written quotes
Purchasing goods between	\$4,001 - \$9,500	Three formal written quotes
Purchasing goods	\$9,501 and over	Competitive bids
Public works contracts	Less than \$2,000	No quotes required
Public works contracts	\$2,001 - \$15,000	Three formal written quotes
Public works contracts	\$15,001 and over	Competitive bids

1 New York State General Municipal Law Section 103

2 New York State General Municipal Law Section 104(b)

3 In March 2018, the District updated the policy to align with GML competitive bidding thresholds and the thresholds for purchases not subject to bidding. Our testing included purchases made prior to the District's adoption of the new policy.

Quotes Were Not Always Obtained

Although the Board adopted a purchasing policy that required using competition for purchases not subject to bidding requirements, the purchasing agent and claims auditor did not always ensure that purchases were made in compliance with the requirements. As a result, District officials did not always comply with the provisions of the purchasing policy when purchasing goods and services.

We reviewed 77 purchases totaling \$448,000 from 25 vendors, out of a total \$1.6 million in purchases from 120 vendors,⁴ and found that officials made 40 purchases totaling \$184,000 (41 percent) without obtaining quotes as required by the policy. For example, District officials paid \$13,800 to refinish gym floors without obtaining quotes when the policy requires three written quotes. We also reviewed 16 purchases made using the District's credit cards, totaling \$27,000, and identified six purchases totaling \$15,000 (56 percent) that were made without quotes being obtained. For example, officials purchased two printers totaling \$3,198 using the credit card and should have obtained three verbal or written quotes, but no quotes were obtained.

District officials told us that employees generally obtained quotes prior to making purchases but did not retain the required documentation. For nine purchases totaling \$37,000, officials told us that they thought there was only one vendor capable of providing the item or service. However, they did not check whether there were other vendors selling the same products and services. These purchases included an auditorium sound system, bus repairs and interactive educational software.

When District officials do not use competition to procure goods and services, there is an increased risk that goods and services may not have been obtained for the best value to ensure the most prudent and economical use of public money.

What Do We Recommend?

The claims auditor and purchasing agent should:

1. Monitor compliance with the purchasing policy and ensure claims contain sufficient evidence to demonstrate that the correct number of quotes were obtained.

⁴ Excluding payments to other school districts, payroll-related expenditures, insurance, reimbursements and utilities, which would not be subject to competition

District officials should:

2. Solicit competition through the use of quotes and retain sufficient documentation to demonstrate that the appropriate number of quotes were obtained as required by the purchasing policy.

Appendix A: Response From District Officials



BYRON-BERGEN CENTRAL SCHOOL DISTRICT

District Office
6917 West Bergen Road
Bergen, NY 14416-9747
(585) 494-1220



Superintendent – Mickey Edwards
Business Administrator – Lori Prinz

October 23, 2018

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

Re: Corrective Action Plan (CAP) Submission

Dear Mr. Mazula:

The District is in receipt of the draft copy of your Report of Examination on Procurement for the period beginning July 1, 2016 and ending on June 6, 2018 and the recommendations contained therein. Please allow this letter to serve as our written response to the Draft Audit Report as well as our Corrective Action Plan. The District would like to thank the local field staff of the Comptroller's office for their professionalism and courteousness while performing this audit.

The District would like to once again state that it has had a very large change in staffing in the Business Office, Superintendent's office and Building & Grounds department in the past year. As a result of these staffing changes, it was very difficult to answer questions and locate documentation requested by the State Auditor. Over the past year, the District has replaced five key positions which are integral to the purchasing process. Management has started to implement changes in the procurement process, however, the timing of the audit review ended up focusing on purchases made prior to the changes occurring. Going forward, as recommended by the audit report, the District will continue to monitor compliance with the purchasing policy and be sure to retain evidence demonstrating pricing competition was solicited.

Please see the Corrective Action Plan below for implementation details.

Unit Name: Byron Bergen Central School District
Audit Report Title: Procurement
Audit Report Number: 2018M-157

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed.

Audit Recommendation:

The claims auditor and purchasing agent should:

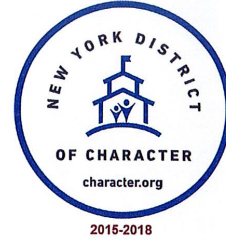
1. Monitor compliance with the purchasing policy and ensure claims contain sufficient evidence to demonstrate that the correct number of quotes was obtained.





BYRON-BERGEN CENTRAL SCHOOL DISTRICT

District Office
6917 West Bergen Road
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(585) 494-1220



Superintendent – Mickey Edwards
Business Administrator – Lori Prinz

District officials should:

2. Solicit competition through the use of quotes and retain sufficient documentation to demonstrate that the appropriate number of quotes was obtained as required by the purchasing policy.

Implementation Plan of Action(s):

1. Board of Education review and revise Board Regulation #5510R.2 to update the procedures for non-competitive and competitive bid procurement.
2. Once approved, Board Regulation #5510R.2 will be distributed to all staff and posted on the website.
3. Documentation supporting the decision making process for all purchases made will be retained.

Implementation Date:

1. Board of Education will review Regulation #5510R.2 at their November 8, 2018 meeting.
2. The District will immediately begin to ensure that supporting documentation is retained.

Person(s) Responsible for Implementation:

Business Administrator, Business Office Staff and Purchasing Agent.

Mickey Edwards, Superintendent

10/23/18

Date



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 to gain an understanding of the procurement process.
- We reviewed the District's purchasing policy and procedures to determine whether they sufficiently addressed the procurement of goods and services not subject to competitive bidding requirements.
- We sorted cash disbursements by vendor name and then aggregated payment amounts from largest to smallest. We excluded payments to other school districts, payroll-related expenditures, insurance, reimbursements and utilities, which would not be subject to competition, for a total of 120 vendors paid \$1.6 million. We judgmentally selected 25 vendors with claims totaling \$448,000 that fell within the District's thresholds for obtaining quotes. Our sample was selected based on the total amounts the District paid the vendors during our audit period and information obtained during our audit survey.
- We identified payments for the District's four credit cards, totaling nearly \$100,000. We judgmentally selected the five largest purchases on each of the three main cards, and the one payment of over \$500 on the remaining credit card, totaling \$27,000.
- We reviewed claim vouchers, vendor invoices and other supporting documentation to determine whether payments were supported and contained evidence that goods were received or services were rendered and 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 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 District 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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