

Amagansett Union Free School District

Procurement

DECEMBER 2018



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

Contents

- Report Highlights 1**

- Procurement 2**
 - How Should the School District Procure Goods and Services? 2
 - The District’s Procedures Were Not Updated 2
 - Quotes Were Not Always Obtained 2
 - What Do We Recommend? 3

- Appendix A – Response From District Officials 4**

- Appendix B – Audit Methodology and Standards 6**

- Appendix C – Resources and Services 7**

Report Highlights

Amagansett Union Free School District

Audit Objective

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

Key Findings

- 12 purchases totaling \$14,088 did not have the quotes as required by District policy.

Key Recommendations

Ensure District officials:

- Check vouchers for compliance with the policy prior to approval.
- And employees obtain quotes when required.

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

Background

The Amagansett Union Free School District (District) is located in the Town of East Hampton in Suffolk County. The District has 99 students in the elementary school building and 86 students for which the District pays tuition.

A five-member Board of Education (Board) is responsible for the general management and control of the District's financial and educational affairs. The Board has delegated its claims auditing duties to a claims auditor who reports directly to the Board.

The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day District management under the Board's direction. The Superintendent is also the purchasing agent and is responsible for approving all purchases and ensuring that purchases are compliant with the District's purchasing policy.

Quick Facts

Employees	40
2017-18 Enrollment	185
2017-18 Budgeted Appropriations	\$10,678,819
Procurements Subject to the Procurement Policy During the Audit Period	\$1,590,455

Audit Period

July 1, 2016 – March 31, 2018

Procurement

How Should the School District Procure Goods and Services?

New York State General Municipal Law¹ 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,² 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. These policies and procedures should be reviewed and updated annually by the Board. The purchasing agent and the claims auditor are responsible for ensuring compliance with the district's policies or procedures.

The District's Procedures Were Not Updated

The District has adopted a purchasing policy that requires no quotes for purchases under \$900, two quotes for purchases between \$900 and \$2,500 with the name of vendor and date of quote, three quotes for purchases between \$2,501 and \$6,000 with the name of the vendor and date of quote, and three formal written quotes for purchases between \$6,001 and \$20,000. Purchases for public works projects require no quotes for purchases under \$3,000, three verbal or written quotes for purchases between \$3,000 and \$5,000, and three formal written quotes for purchases between \$5,001 and \$35,000. The District uses a three-level approval system for purchases beginning with the account clerk reviewing purchase requisitions, then the school Principal, and finally the Superintendent who issues the purchase order (PO). The Board reapproves its purchasing policy each year at its annual reorganization meeting. However, the purchasing procedures have not been updated since 2010.

Quotes Were Not Always Obtained

We reviewed 93 invoices³ totaling \$134,876⁴ and found that 12 invoices totaling \$14,088⁵ did not have the required quotes. For example, the District paid one invoice totaling \$975 for printing services without the required two quotes. In another instance, office furniture was purchased totaling \$2,404 without obtaining

1 Section 104-b

2 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.

3 Ninety-three invoices were paid by check on 60 claims; our population totaled 611 claims totaling \$1,590,455. Purchase orders were generally issued prior to purchases being made.

4 See Appendix B for methodology

5 These vendors received aggregate payments of \$75,378 during the year in which the reviewed goods and services were received.

quotes. District officials and employees involved in the purchasing process did not always enforce the District's policies and procedures, and did not document their reasons for not soliciting written quotations. Officials told us that they used certain vendors without soliciting quotes because they preferred to use local vendors due to their geographical location.

The Board has not updated its purchasing procedures since 2010 to ensure that the procedures are still appropriate and the policy is enforced. As a result, District officials did not always comply with the District's purchasing policy. When officials do not obtain quotes, there is an increased risk that favoritism, extravagance or fraud could occur, and that the District could acquire goods and services at higher costs than necessary.

What Do We Recommend?

The Board should:

1. Update the purchasing procedures periodically to make sure they are still appropriate.
2. Ensure that the Superintendent and claims auditor check vouchers for compliance with the policy prior to approval and payment.

The Superintendent and claims auditor should ensure District officials and employees:

3. Adhere to the District's procurement policies and procedures.
4. Obtain verbal or written quotes when required by the purchasing policy prior to approving the purchase order or payment.

Appendix A: Response From District Officials

AMAGANSETT UNION FREE SCHOOL DISTRICT
POB 7062, 320 Main Street
Amagansett, New York 11930-7062
Tel. (631) 267.3572/Fax. (631) 267.7504
Website: www.aufsd.org

BOARD OF EDUCATION
Kristen V. Peterson, President
Dawn Rana-Brophy, Vice-President
Hank Muchnic, Member
Claudia Quintana, Member
Anna Bernasek, Member
Thomas Mager, Treasurer
Sandra L. Nuzzi, District Clerk

SUPERINTENDENT OF SCHOOLS
Seth Turner

December 11, 2018

Mr. Ira McCracken, Chief Examiner
Office of the State Comptroller
Division of Local Government and School Accountability
New York State Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

Re: Amagansett Union Free School District
Procurement
2018M-206
Combined Audit Response Letter and Corrective Action Plan

Dear Mr. McCracken:

The Amagansett Union Free School District acknowledges receipt of the *Report of Examination (2018M-206) – Procurement (draft)* for the Audit Period July 1, 2016 – March 31, 2018. We have reviewed and agree with the report and its recommendations. We will use your recommendations to help us improve our procedures related to our procurement policy. Although the District strives for accuracy, there are times that it is possible, under usual circumstances, that an unintentional deviation from our procedures can occur. The District is always looking for ways to improve its procedures and appreciates the recommendations in the report.

The following is the District's corrective action plan in response to the report.

Recommendation 1 The Board should update the purchasing procedures periodically to make sure they are still appropriate.

Implementation Plan of Action: The District plans to review the purchasing policy and procedures annually to ensure that they are still appropriate.

Implementation Date: January 2019

Person Responsible for Implementation: The Superintendent

Recommendation 2 The Board should ensure that the Superintendent and claims auditor check vouchers for compliance with the policy prior to approval and payment.

Implementation Plan of Action: The Superintendent held a staff meeting on December 6, 2018 to discuss the District policy and procedures on procurement. At this meeting it was determined that the District will update their current claim control sheet to deny any requisition that does not meet the purchasing policy. A memorandum will be drafted and distributed to the Board of Education, claims auditor, and District staff communicating the updates in District policy and procedures on procurement.

Implementation Date: December 6, 2018

Person Responsible for Implementation: The Superintendent along with all staff involved with purchasing

Recommendation 3 The Superintendent and claims auditor should ensure District officials and employees adhere to the District's procurement policies and procedures.

Implementation Plan of Action: The Superintendent will issue the aforementioned memorandum to the District's claims auditors to ensure that the District officials and employees adhere to the District policy and procedures on procurement.

Implementation Date: January 15, 2019

Person Responsible for Implementation: The Superintendent

Recommendation 4 The Superintendent and claims auditor should ensure District officials and employees obtain verbal or written quotes when required by the purchasing policy prior to approving the purchase order or payment.

Implementation Plan of Action: As part of the meeting on December 6, 2018 it was determined that a process would be added to the Districts claim control sheet to ensure proper quotes and bids are obtained.

Implementation Date: January 15, 2019

Person Responsible for Implementation: The Superintendent along with all staff involved with purchasing

Sincerely,

Seth Turner
Superintendent

Corrective Action Plan accepted by the Amagansett Union Free School District Board of Education on December 11, 2018 per Resolution Number 43

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 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, and also excluded payments less than \$500. After all excluded payments, our population sample totaled 611 claims totaling \$1,590,455. We then selected 60 checks/claims by selecting every 10th check, which represented 93 invoices totaling \$134,876. 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 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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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.ny.gov

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

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

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