

Salem Central School District

Purchasing

AUGUST 2019



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

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Report Highlights

Salem Central School District

Audit Objective

Determine whether the District sought competition when purchasing goods and services under the statutory bidding thresholds.

Key Findings

- Our review of 60 purchases made during our audit period totaling approximately \$182,000 disclosed that District officials lacked adequate evidence to show they sought competition for 32 purchases (53 percent) totaling about \$115,000.
- The Board did not develop and implement procedures to seek competition for purchases of goods and services that were not required to be competitively bid.

Key Recommendations

- Maintain adequate documentation to support that competitive purchasing practices are used by employees when procuring goods and services below bidding thresholds.
- Develop written purchasing procedures for procuring goods and services below bidding thresholds and distribute to the appropriate personnel.

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

Background

The Salem Central School District (District) serves the Towns of Salem, Hebron, Jackson and Greenwich in Washington County.

The elected five-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 Superintendent's Secretary 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.

Quick Facts

Enrollment	562
2018-19 Appropriations	\$13.3 million
2017-18 Appropriations	\$12.9 million
2017-18 Non-Personnel Expenditures	\$3.1 million

Audit Period

July 1, 2017 – February 28, 2019

Purchasing

How Should Goods and Services Under the Competitive Bidding Thresholds Be Purchased?

New York State General Municipal Law (GML)¹ requires the board to adopt and annually review written policies and procedures for the procurement of goods and services not subject to competitive bidding 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 the policy, these procedures should define the methods⁴ to be used for procuring goods and services, 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 also 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.

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

The Board's adopted policy states that the Board is responsible for ensuring procedures for the procurement of goods or services not subject to competitive

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

2 New York State General Municipal Law 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.

bidding thresholds be developed. We found District officials did not establish or implement any formal purchasing procedures for goods and services not required to be competitively bid. Additionally, because the Board did not annually review⁵ the policy as required, it did not ensure compliance with the policy.

The lack of formal procedures prevented officials and employees from having clear guidance on steps to be 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 our audit period totaling \$182,014 to determine whether District officials sought competition for purchases that were over \$1,000 but below bidding thresholds.⁶ We found 32 purchases (53 percent) totaling \$115,089 were made without evidence that officials sought competition to obtain the lowest price. For the other 28 purchases reviewed, we determined District officials sought competition for five of the purchases totaling \$15,861, 10 purchases totaling \$31,001 were made from vendors that were sole source providers and 13 purchases totaling \$20,063 consisted of various items with costs below the \$1,000 threshold that we applied for determining whether the District sought competition.

Specifically, 21 purchases totaling \$59,821 were approved without seeking any competition. These included, but were not limited to, two purchases of floor finish (\$4,028), three purchases of the same type of paint (\$2,790), one purchase of 10 scientific calculators (\$1,320) and textbooks for a science class (\$1,486). The Superintendent and Business Manager told us they were not aware that the District should be seeking quotes for aggregate purchases and services that fell below the bidding threshold. They thought quotes were only required if a single item was purchased over \$1,500.⁷ In addition, the Business Manager told us she would receive verbal assertions from District employees that the items being purchased were at the best value. However, there was no documentation maintained to support the items purchased were the best value for the District.

We also identified purchases for repairs to the boiler for \$6,368 and for the installation of piping to the boiler for \$3,455. These services were provided by two different vendors during the 2018-19 fiscal year as each vendor provided only one part of the boiler work, either repair or piping. The building and grounds

5 The Board did re-adopt the policy at its organizational meetings during our audit scope period. However, the last time the policy was updated for any changes was April 22, 2013.

6 Purchases for a single item or multiple purchases of like items above \$20,000 are subject to competitive bidding.

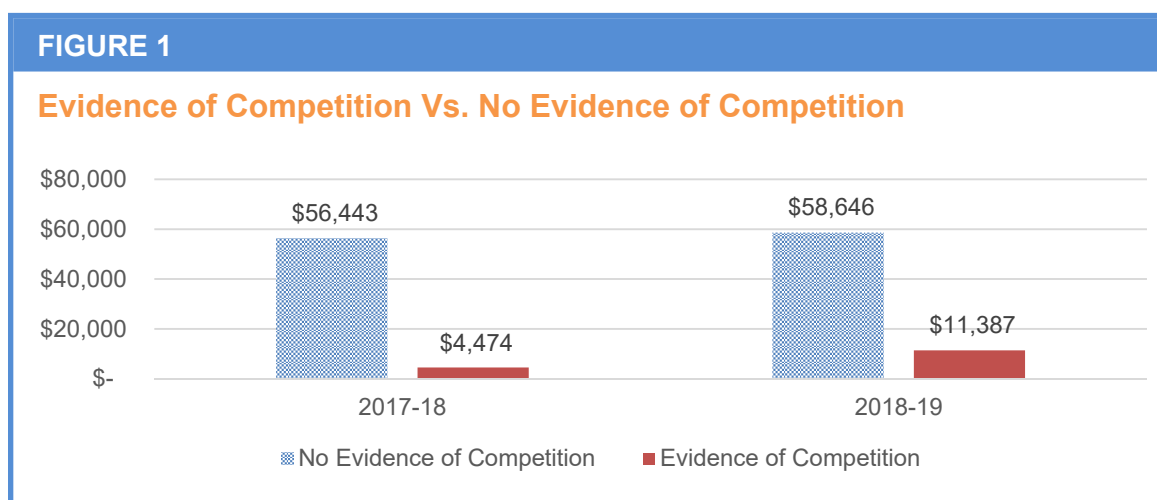
7 District officials applied the District's policy for capitalizing assets over \$1,500 to their purchasing practices.

supervisor stated that both of these vendors have been servicing the boiler for years. However, District officials were unable to provide evidence of an existing service contract or of quotes for either of these purchases.

Additionally, we identified payments totaling \$14,835 for the professional service of music therapy during our audit period. The Business Manager and Treasurer believed the provider was the sole source provider in the area. District officials could not provide us with documentation showing that this service provider was a sole source in the area.

District officials told us competition was sought for the remaining 11 purchases totaling \$55,268. However, we found no evidence to support officials' assertions that competition was sought. For example, the District purchased a new lawn mower for \$13,867 and a new aerator for \$2,800. They also had the parking lot seal coated for \$5,700. The Business Manager stated these purchases were requested by the former Buildings and Grounds Supervisor, quotes were obtained and these purchases were made at the best pricing. However, there was no documentation available to support these statements. In addition, the District had another vendor pave an area near the bus garage for \$4,895. The Transportation Supervisor stated he tried to obtain quotes from various vendors but did not receive a response back from them. As a result, he selected the one vendor who did provide a quote. However, he did not retain any documentation supporting that competition was sought.

For the purchases reviewed, our testing showed that 13 purchases totaling \$56,443 in 2017-18 and 19 purchases totaling \$58,646 in 2018-19 were made without seeking competition or that lacked documentation of seeking competition. Additionally, there were two purchases totaling \$4,474 in 2017-18 and three purchases totaling \$11,387 in 2018-19 that were competitively purchased (Figure 1).



Inconsistencies in purchasing occurred because the Board did not ensure formal procedures were developed and provided to the appropriate personnel to follow when purchasing 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 their purchasing decisions.

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. Annually review the District's purchasing policy and procedures and update them as necessary.
2. Ensure District officials develop written purchasing procedures for procuring goods and services below bidding thresholds and distribute them to the appropriate personnel.

The purchasing agent should:

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

Appendix A: Response From District Officials

SALEM CENTRAL SCHOOL DISTRICT
PO Box 517
41 East Broadway
Salem, NY 12865
Phone: (518) 854-7855 Fax: (518)854-3957

David J. Glover, Ed. D.
Superintendent

August 16, 2019

[REDACTED]
NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, NY 12801

Re: Response to the Draft Audit Report titled, *Purchasing*, for the Salem Central School District

Dear [REDACTED]

We received your draft report for purchasing on July 17, 2019 and completed the exit discussion on August 9, 2019 with you and some of your staff. Thank you for the opportunity to review the report to review the contents and make any necessary clarifications.

The District has made an initial review of the report and will have the Corrective Action Plan completed and submitted to your office 90 days after the publication of the report, as required.

The Board of Education and administration appreciate the opportunity to learn how to improve our practice for the betterment of the school and community. We appreciate your efforts in completing the audit. Please do not hesitate to contact us if you have further questions.

Sincerely,

David J. Glover, Ed. D.
Superintendent of Schools

Cc: Board of Education
Business Office
File

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 Superintendent and Business Manager, department heads and other employees to gain an understanding of the District's purchasing procedures for goods and services under bidding thresholds.
- We used our professional judgment to select a sample of 60 general fund purchases. We selected the samples based on the dollar amount and description of the purchases. We reviewed these purchases to determine whether there was evidence that the goods and services over \$1,000 were competitively purchased.

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/pubs/cyber-security-guide.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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