

Plattsburgh City School District

Procurement

DECEMBER 2019



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

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Report Highlights

Plattsburgh City School District

Audit Objective

Determine whether District officials procured goods and services in accordance with Board policies and applicable statutory requirements.

Key Findings

- The Board-adopted purchasing policies were not updated and deficient.
- All 10 purchase and public works contracts we reviewed totaling approximately \$1.1 million were procured in accordance with the District's purchasing policies and statutory requirements.
- Of the 15 purchase contracts we reviewed totaling \$76,378 that did not exceed the competitive bidding threshold, 11 purchase contracts (73 percent) totaling \$56,624 were not procured in accordance with the purchasing policy.
- Of the services obtained from seven professional service providers, who were paid a combined total of \$178,247 during the audit period, the services from six providers, who were paid \$163,497, were not procured in accordance with the purchasing policy.

Key Recommendations

- Annually review and update the District's purchasing policies.
- Procure goods and services not subject to the competitive bidding requirements in compliance with the District's purchasing policy.

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

Background

The Plattsburgh City School (District) serves the residents of the City of Plattsburgh in Clinton County.

The nine-member elected 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, along with other administrative staff, is responsible for day-to-day management under the Board's direction.

The Assistant Superintendent for Business (Assistant Superintendent), who is also the Board-appointed purchasing agent, oversees business operations and purchasing.

Quick Facts

Employees	400
Enrollment	1,800
2019-20 Appropriations	\$45.3 million

Audit Period

July 1, 2018 – August 31, 2019

Procurement

How Should a District Procure Goods and Services?

New York State General Municipal Law (GML)¹ generally requires competitive bidding for purchase contracts exceeding \$20,000 and public works contracts exceeding \$35,000. In lieu of seeking competitive bids, a school district is authorized to make purchases using contracts awarded by the New York State Office of General Services (State contracts) or contracts bid by other governments, school districts and boards of cooperative educational services (BOCES). In determining the necessity for competitive bidding, the aggregate amount to be expended for the same commodity or service within the 12-month period beginning on the date of the purchase must be considered.

GML requires the board to adopt and annually review written policies and procedures for procuring goods and services not required by law to be competitively bid, such as professional services.² These policies and procedures should describe procurement methods, explain when to use each method and require adequate documentation of actions taken. In addition, New York State Education Law (Education Law)³ requires school districts to use a competitive request for proposal (RFP) process when contracting for an annual audit of its records by an independent certified public accountant or an independent public accountant.

District officials should monitor and enforce compliance with board-adopted purchasing policies and applicable statutory requirements. This helps ensure a school district obtains goods and services of the required quantity and quality at competitive prices and protects against favoritism, extravagance, fraud and corruption.

Board-Adopted Purchasing Policies Were Not Updated and Deficient

The Board annually re-adopted all existing policies, including the purchasing policies.⁴ However, the purchasing policies have not been updated since at least March of 2010. Consequently, the purchasing policies⁵ were outdated because they referred to the GML bidding threshold for purchase contracts as in excess of

1 New York State General Municipal Law (GML), Section 103

2 GML, Section 104-b. Professional services generally include services provided by attorneys, engineers and certain other services requiring specialized or technical skills, expertise or knowledge; the exercise of professional judgment; or a high degree of creativity.

3 New York State Education Law, Section 2116-a

4 The Board-adopted purchasing policies consisted of a purchasing policy, purchasing procedures policy, purchasing authority goals policy, competitive bidding requirements and procedures policy, cooperative purchasing policy and NYS contracts policy.

5 This includes the Board-adopted purchasing policy and competitive bidding requirements and procedures policy.

\$10,000, instead of the current threshold of in excess of \$20,000. This occurred because GML was amended in 2010 after the Board had updated its policies.

The Board-adopted purchasing policy required that officials and employees obtain verbal quotes for purchase contracts from \$100 to \$1,000 and written quotes for purchase contracts in excess of \$1,000 to \$10,000, verbal quotes for public works contracts from \$1,000 to \$5,000 and written quotes for public works contracts in excess of \$10,000 to \$35,000.

However, the purchasing policy was deficient because the method officials and employees should use when procuring public works contracts in excess of \$5,000 to \$10,000 were not included, a further indication the Board was not annually reviewing and updating its purchasing policies before annually re-adopting them.

Officials Complied With the Purchasing Policies and GML for Purchases Subject to Competitive Bidding

We reviewed 10 purchase contracts and public works contracts totaling approximately \$1.1 million that officials entered into during the audit period, which exceeded the District's competitive bidding thresholds,⁶ to determine whether officials procured them in accordance with the District's purchasing policies and GML. We found that the District procured all 10 purchase and public works contracts in accordance with its purchasing policies and GML.

Specifically, one contract totaling \$97,418 was competitively bid, two contracts totaling \$242,858 were procured using State contracts, five contracts totaling \$320,534 were procured using BOCES cooperative bids and two contracts totaling \$421,938 were procured using contracts bid by other governments.

Officials Did Not Always Comply With the Purchasing Policy for Purchases Not Subject to Competitive Bidding

Purchase Contracts – We reviewed 15 purchase contracts totaling \$76,378 that officials entered into during the audit period, which did not exceed the competitive bidding threshold, to determine whether they were procured in accordance with the purchasing policy. District officials did not procure 11 of these purchase contracts (73 percent) totaling \$56,624 in accordance with the purchasing policy. These contracts were for various purposes including such items as two zero turn lawn mowers totaling \$8,400 and tile and carpet installation in a music room totaling \$7,011.

⁶ We used the District's competitive bidding thresholds for purchase contracts exceeding \$10,000 and public works contracts exceeding \$35,000 as outlined in the purchasing policies.

Because each of these purchase contracts exceeded \$1,000, the purchasing policy required officials and employees to obtain written quotes for each of these contracts. However, officials and employees did not obtain written quotes for these contracts or provide us with any documentation showing that they solicited competition for these purchases. We did a price comparison for the two zero turn lawn mowers and found that the prices paid were reasonable. However, without obtaining written quotes officials do not know they are receiving competitive prices as required by the purchasing policy.

This occurred because the Assistant Superintendent did not always ensure that employees solicited competition for purchases as required by the District's purchasing policy before approving the corresponding purchase orders authorizing the purchases.

Professional Services – The purchasing policy required the use of RFPs to procure professional services, except for those services that, because of the confidential nature of the services, did not lend themselves to procurement through solicitation. We reviewed all seven professional service providers who were each paid in excess of \$10,000, for a total of \$178,247, during the audit period to determine whether these services were procured using RFPs in accordance with the policy⁷ and/or Education Law.

Officials used an RFP to procure the annual audit of its records by an independent certified public accountant, as required by the policy and Education Law. However, they did not use RFPs to procure the services provided from the other six professional service providers who were paid \$163,497 during the audit period.

These services included legal services from three providers totaling \$67,649, architect and engineering services from one provider totaling \$46,218, medical and health services⁸ from one provider totaling \$28,000 and financial consulting services from one provider totaling \$21,630. This occurred because the Assistant Superintendent did not ensure professional services were procured in accordance with the purchasing policy before the District entered into contracts with these providers.

When District officials do not procure goods and services in accordance with the purchasing policy, they lack assurance that goods and services are procured in the most economical way, in the best interests of taxpayers and without favoritism.

⁷ None of the professional service providers we reviewed provided services of a confidential nature that would prevent the District from using an RFP.

⁸ Although the District did not use a RFP to procure medical and health services that were provided during the audit period, District officials provided us with documentation they had issued a combined RFP to procure medical and health services with another school district for services to be provided prior to the audit period and received no responses.

What Do We Recommend?

The Board should:

1. Update the purchasing policies to include the current GML competitive bidding threshold for purchase contracts and the method to be used when procuring all purchase and public works contracts below the competitive bidding thresholds.
2. Annually review the purchasing policies and update them, as appropriate.

District officials should:

3. Ensure employees procure goods and services not subject to the competitive bidding requirements, including professional services, in compliance with the purchasing policy.

Appendix A: Response From District Officials



PLATTSBURGH CITY SCHOOL DISTRICT

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Unit Name: Plattsburgh City School District

Audit Report Title: Procurement

Audit Report Number: 2019M-198

The following is the Plattsburgh City School District's *combined* audit response and corrective action plan.

- ✓ It is the position of the Plattsburgh City School District that we *agree* with the audit findings.
- ✓ The audit response is also serving as the corrective action plan

Audit Recommendations:

The Board should:

1. Update the purchasing policies to include the current GML competitive bidding threshold for purchase contracts and the method to be used when procuring all purchase and public works contracts below the competitive bidding thresholds.
2. Annually review the purchasing policies and update them, as appropriate.

District officials should:

3. Ensure employees procure goods and services not subject to the competitive bidding requirements, including professional services, in compliance with the purchasing policy.

Implementation Plan of Actions:

The Plattsburgh City School District is in receipt of the recommendations outlined in the Office of the State Comptroller Audit. For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed:

MISSION

Our mission is to educate each student of the Plattsburgh City School District by creating challenging, supportive, and interactive learning that advances intellectual, physical, social, and cultural development.

The District, in working with our legal counsel and/or a third party policy service will implement the following corrective actions by July 1, 2020.

- ✓ Update purchasing policies to include the current GML competitive bidding threshold for purchase contracts and the method to be used when procuring all purchase and public works contracts below the competitive bidding thresholds.
- ✓ Annually review and update all purchasing policies, as needed and where appropriate
- ✓ Ensure that employees obtain goods and services that are not subject to competitive bidding requirements in compliance with the District's purchasing policies

Person Responsible for Implementation:

- ✓ David J. Baroody, Assistant Superintendent for Business

NOVEMBER 26, 2019

David J. Baroody, Assistant Superintendent for Business

Date

MISSION

Our mission is to educate each student of the Plattsburgh City School District by creating challenging, supportive, and interactive learning that advances intellectual, physical, social, and cultural development.

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 reviewed and evaluated the District's purchasing policies and procedures.
- We used our professional judgment to select a sample of 10 purchase contracts and public works contracts that officials entered into during the audit period, which exceeded the District's competitive bidding thresholds to determine whether officials procured goods and services in accordance with the purchasing policies and GML. Our sample was selected based on vendor name and dollar amount.
- We used our professional judgment to select 15 purchase contracts that officials entered into during the audit period, which did not exceed the competitive bidding threshold, to determine whether they were procured in accordance with the purchasing policy. Our sample was selected based on purchase contracts that were in excess of \$1,000 and were made throughout the audit period.
- We reviewed all seven professional service providers who were each paid in excess of \$10,000 during the audit period to determine whether their services were procured using RFPs in accordance with the purchasing policy and/or Education Law.

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. A written corrective action plan (CAP) that addresses the 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 next 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. The CAP should be posted on the District's website for public review.

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#lgmg

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

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