

Seneca Falls Central School District

Procurement

MARCH 2022



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

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Report Highlights

Seneca Falls Central School District

Audit Objective

Determine whether Seneca Falls Central School District (District) officials used a competitive process to procure goods and services to achieve the optimal use of District resources.

Key Findings

District officials did not always use a competitive process to procure goods and services to achieve the optimal use of District resources.

- 21 of 40 purchases (53 percent) we reviewed that were subject to competitive bidding and quote thresholds lacked competition or documentation to support an exception from competition. The purchases totaled \$456,331 of which:
 - \$331,669 was subject to competitive bidding requirements.
 - \$124,662 required quotes.
- District officials did not competitively procure or document an exception from soliciting competition for services provided by six professional service providers that were paid a total of \$895,668.
- The District did not have written agreements with three professional service providers paid \$112,262.

Key Recommendations

- Document compliance with competitive purchasing requirements.
- Enter into adequate written agreements with professional service providers.

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

Background

The District serves the Town of Seneca Falls and portions of the Towns of Fayette and Tyre in Seneca County. The District is governed by an elected nine-member Board responsible for educational and financial affairs.

The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for day-to-day operations and management under the Board's direction.

The Administrator of Business and Operations (Business Administrator) is the Board-appointed purchasing agent, responsible for overseeing the purchasing process and ensuring, together with the Superintendent, that procurements are made in compliance with established policies and regulations.

An account clerk assists the Business Administrator with portions of the purchasing process.

Quick Facts

July 1, 2019 – June 7, 2021

Total Purchases^a \$43.1 million

Payments for Professional Services \$8.8 million

a) Excludes payroll, reimbursements, tuition and debt payments

Audit Period

July 1, 2019 – October 25, 2021

Procurement

How Should District Officials Competitively Procure Goods and Services?

A board is responsible for overseeing financial activities and safeguarding resources and is required to adopt written policies and procedures for procuring goods and services including those not subject to competitive bidding requirements.

School districts are generally required to solicit competitive bids for purchase contracts of \$20,000 or more and public works contracts of \$35,000 or more, with certain exceptions. School districts must consider the aggregate amount reasonably expected to be expended for all purchases of the same commodities over a 12-month period when determining whether competitive bidding thresholds will be exceeded.

Goods and services in excess of competitive bid limits that are not required to be competitively bid or acquired through an exception to that requirement, must be procured in a manner to ensure the prudent and economical use of public money in the taxpayers' best interests and that is not influenced by favoritism, extravagance, fraud or corruption.

In general, the procurement policy should require that alternative proposals for goods and services be secured through written requests for proposals (RFPs), written or verbal quotes or any other appropriate method of competitive procurement. The procurement policy may set forth circumstances or types of procurement for which solicitation of alternative proposals will not be in the school district's best interest and should describe procedures for maintaining adequate documentation to support and verify the actions taken.

An exception to competitive bidding allows school districts to make purchases by "piggybacking" on contracts awarded by the New York State Office of General Services (State contracts) or cooperative bids by other governments, school districts, boards of cooperative educational services (BOCES) or group purchasing organizations (GPOs). School district officials should review these contracts to ensure that they comply with competitive purchasing requirements and are in the best interest of the school district.

School district officials should monitor compliance with purchasing procedures and documentation requirements and must retain purchasing files for at least six years after completion of the purchase or six years after final payment under contract, whichever is later.

Written school district policies, regulations and procedures set purchase thresholds that required verbal and written quotes and allowed exceptions to these requirements. The Board adopted new written procurement policies and regulations on January 21, 2021, revising the requirements for competition and

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requiring more documentation for exceptions. School district officials should monitor compliance with purchasing policies, regulations, procedures and documentation requirements.

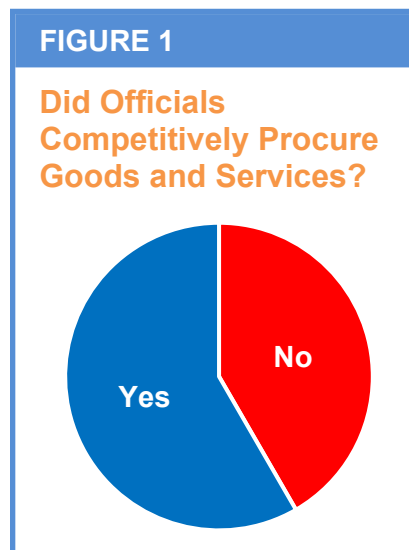
School district officials should execute written agreements with all professional service providers to clearly define and communicate the intentions and expectations of both parties including the contract period, the services to be provided, the timetable for completion, the basis for compensation and terms of payment.

Officials Did Not Always Properly Seek Competition or Properly Document Compliance with Competitive Purchasing Requirements

District officials did not ensure that purchases had adequate supporting documentation demonstrating that they were properly made in compliance with competitive purchasing requirements, and that the District acquired the desired quality of goods and services at the lowest available cost. Officials were unable to support they sought competition or used an allowed exception for 21 of 40 purchases (53 percent) totaling \$456,331 that were subject to competitive bidding and quote thresholds.

Competitive Bidding – We reviewed 12 purchases totaling \$10.1 million that required competitive bidding.¹ District officials did not appropriately seek or document competition for five purchases (42 percent) totaling \$331,669 (Figure 1). These included:

- Three purchases totaling \$287,456 (for tennis court resurfacing, furniture and televisions) made through GPOs. District officials considered these purchases an exception to competitive bidding. However, officials could not provide adequate documentation to support an exception classification. The documentation maintained was inadequate because they had limited GPO documentation and did not evaluate whether the GPO’s purchasing method met competitive bidding requirements. The Business Administrator told us that District officials thought that GPO purchases were treated the same as purchases from a State contract and did not realize that they



District officials did not ensure that purchases had adequate supporting documentation demonstrating that they were properly made in compliance with competitive purchasing requirements. ...

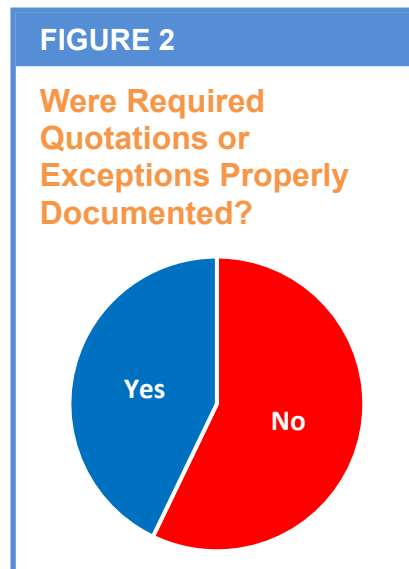
¹ See Appendix B Audit Methodology and Standards for details on sample selection.

were required to do their own review. However, two of these purchases totaling \$224,910 were made in April and May 2021, after the Board's January adoption of an updated procurement policy that detailed specific requirements for purchasing from contracts let by other government entities, including an evaluation of the procurement method to help ensure compliance.

- One purchase totaling \$21,978 was for two dishwashers that District officials did not competitively bid. While like items must be combined to determine if they should be competitively procured, officials obtained separate quotes for each dishwasher because they were to be installed in different buildings. The Business Administrator and an account clerk told us that they were not aware that they needed to combine like items for consideration of bidding thresholds.
- One purchase of furniture totaling \$22,235 was not competitively procured. Officials said they thought they used a State contract to purchase the furniture. However, we compared the cost of the items purchased to the State contract and found that they purchased items that were not on the State contract and they did not receive State contract pricing on all items purchased. The Business Administrator was unaware that some items were not on State contract or that the vendor did not bill them according to the State contract terms because District officials did not do a verification to ensure the items purchased were part of the State contract and that they paid State contract pricing.

Quotes – We reviewed 28 purchases totaling \$234,293 that fell within the required quote thresholds.² District officials did not support that competition was sought, or an exception applied for 16 purchases (57 percent) totaling \$124,662 (Figure 2). This included:

- Ten purchases totaling \$69,144 that officials said were made using State or other government contracts, but were not clearly documented and supported. The Business Administrator told us that they generally ensured the vendor was awarded the contract, but often did not verify the contract or price list for the items purchased and usually did not retain documentation when they did verify pricing.



² See Appendix B Audit Methodology and Standards for details on sample selection.

- Three purchases totaling \$29,196 did not have the required number of quotes. Although the District’s regulations require officials to document the vendor’s name and date of each verbal quote, officials did not do so. The Business Administrator acknowledged the need to document verbal quotes for future purchases.
- Three purchases for a laser printer, tablets and printing services totaling \$26,322 that officials told us were sole source purchases. However, officials did not maintain documentation to support this classification. Therefore, we question whether they are sole source purchases. For example, officials classified their purchase of a laser printer as a sole source purchase but could not provide justification or documentation to support the purchase met the sole source requirements. Officials could not explain the unique characteristics that the printer offered that cannot be found in other printers on the market.

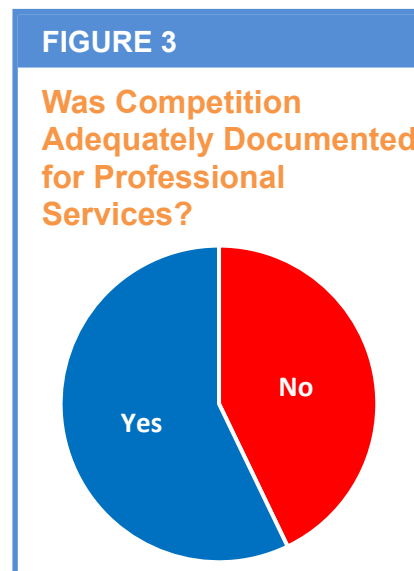
When District officials do not seek or document competition, they cannot assure taxpayers that purchases are made in the most prudent and economical manner, without favoritism.

Officials Can Further Improve Competition for Professional Services

The Board adopted a new written policy for professional services on January 21, 2021, prior to the start of our audit fieldwork, that provided more detailed guidance for the procurement of professional services. While the prior policy exempted professional services from competition, the new policy required an RFP for all professional services at least every five years and listed criteria to be used in evaluating responses. However, the policy did not specify the selection process (who would evaluate the received proposals or how they should be compared and scored) or documentation required to support and verify the actions taken.

District officials did not conduct RFPs or adequately document competition or an allowed exception for six of the 14 professional service providers (Figure 3) we examined. For perspective, these providers were paid a total of \$895,668 from July 1, 2019 through June 7, 2021 (\$285,701 since the adoption of the new policy). These included:

- Construction management (\$290,642), architect (\$411,878) and fiscal advisor services (\$21,171), for which officials



did not use RFPs or other competitive process. The Business Administrator told us that they planned to issue RFPs for these providers prior to the start of the next capital project.

- Physician services (\$72,320) for which officials did not issue an RFP or other competitive process. The Business Administrator’s tentative RFP schedule listed this RFP for winter 2021-22.
- Inspection services (\$65,775) from a provider selected by the construction manager. District officials provided us with the RFP issued by the construction manager, the construction manager’s letter of recommendation and tabulation of cost proposals but were unable to provide responses or documentation of an adequate evaluation.
- Special education Pre-K services (\$33,882) from a provider that District officials told us was a sole source, but officials did not maintain documentation supporting this.

Officials started implementing the new RFP requirement and recently conducted RFPs (legal, external audit and property and casualty insurance) for three professional service providers. The RFP for property and casualty insurance resulted in the District switching to a new provider with a savings of \$13,100 from the previous year, demonstrating the benefit that can be achieved through competition.

Of the 14 professional service providers reviewed, the District did not have written agreements with three professional service providers (21 percent) paid \$112,262. We reviewed the invoices for one disbursement from each reviewed provider and compared services and amounts billed to available agreements to determine whether officials appropriately paid the providers. We were unable to determine whether officials appropriately paid the three providers without agreements and two providers with tested disbursements totaling \$12,463 that had insufficiently itemized invoices.

When competitive methods are not used to procure professional services, there is increased risk of the appearance of favoritism or impropriety and the inability to assure taxpayers that procurements were made in the most prudent and economical manner. Further, using RFPs could increase awareness of other service providers who could offer similar services at a more favorable cost.

What Do We Recommend?

The Board should:

1. Ensure that officials and staff competitively procure goods and services in accordance with the District’s purchasing policies, regulations and procedures, and retain documentation of compliance.

... [R]esulted in the District switching to a new provider with a savings of \$13,100 from the previous year, demonstrating the benefit that can be achieved through competition.

... [U]sing RFPs could increase awareness of other service providers who could offer similar services at a more favorable cost.

-
2. Revise the purchasing policies and regulations to specify the process for evaluating, scoring and approving RFPs and documentation required to be maintained for the procurement of professional services.
 3. Enter into adequate written agreements with professional service providers.

District officials should:

4. Review State and other government contracts and price lists to ensure that purchases are made according to the contracts and that all items purchased are included in the contract and retain the contracts and documentation of the review.
5. Obtain, document and retain verbal and written quotes as required by the District's procurement policy, regulations and procedures for goods and services below the competitive bidding threshold.
6. Ensure invoices are itemized and payments made are in accordance with agreements.

Appendix A: Response From District Officials



Jeremy Clingerman
Superintendent of Schools
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District Offices
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James Bruni
Administrator of Business
& Operations
(315) 568-5874

March 4, 2022

Edward V. Grant Jr. Chief Examiner
The Powers Building
16 West Main Street Suite 522
Rochester, New York 14614-1608

Dear Mr. Grant,

This letter is in response to the recent comptroller's audit conducted at the Seneca Falls Central School District from May 2021 – October 2021. The district's procurement procedures were reviewed for the audit period of July 1, 2019 – October 25, 2021.

In general, the district agrees with the findings and recommendations outlined in the report. While the district utilizes group purchasing organizations to procure goods to save money and regularly conducts request for proposals for professional services, we now understand where some deficiencies lie and will work to rectify them. We will work with our Board of Education and District Officials to review and assess the recommendations outlined on page 8 of the audit. In addition, we will utilize the additional resources and services provided on page 12.

The district will develop a formal corrective action plan based on the recommendations of the audit. This will be reviewed by the district's audit committee and approved by the Board of Education.

Thank you for your thorough assessment of the district's procurement procedures. We appreciate the professional conduct of the auditing staff that worked with us during their time working in our district.

Sincerely,

Jeremy Clingerman
District Superintendent

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 officials and employees and reviewed policies, regulations, procedures and Board, technology committee and audit committee minutes to gain an understanding of the procurement process.
- We used our professional judgment to select a sample of 40 purchases totaling \$10.3 million that were above the procurement policy competitive bidding and quote thresholds (24 percent of our purchases population of \$43 million, which excluded payroll, reimbursements, tuition and debt payments).
 - We reviewed the related purchase orders, invoices and purchasing documentation to determine whether officials obtained competition (bids or quotes) in compliance with the District's procurement policy, regulations and procedures or used exceptions to competitive procurement (e.g., State contract, GPO, cooperative contract and sole source vendors) and documented the purchase decisions as required. We followed-up with District officials and employees to discuss specific purchases.
- We identified 25 professional service providers paid \$8.8 million from July 1, 2019 through June 7, 2021. Because the District's policy did not establish a minimum threshold for requiring an RFP, we used our professional judgment to review all providers paid more than \$15,000 in our testing period. For these 14 providers paid \$8.7 million (99 percent), we reviewed documentation to determine whether RFPs were issued or if another competitive process was used to procure these services, and whether the selection process was adequately documented. We inquired with District officials for explanations for specific services.
- We reviewed available agreements for the 14 providers to determine whether the District had adequate written agreements. We also reviewed invoices from the most recent disbursement more than \$1,000 for each provider (as of June 7, 2021) to determine whether they were paid in accordance with agreements or had sufficiently detailed or complex bills (for those without an agreement).

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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 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-a (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/files/local-government/pdf/regional-directory.pdf

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/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/local-government/required-reporting

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

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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