



Chautauqua Lake Central School District

Procurement

2024M-3 | June 2024

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Report Highlights

Chautauqua Lake Central School District

Audit Objective

Determine whether Chautauqua Lake Central School District (District) officials procured fuel in compliance with the District's procurement policies.

Key Findings

District officials did not procure fuel in compliance with the District's policies. When District officials deviate from adopted policies, there is an increased risk that goods and services will not be obtained at a favorable cost.

District officials:

- Did not seek competition for fuel purchases made from a single vendor totaling approximately \$166,000.
- Did not adequately review purchases made to ensure charges were appropriate, resulting in approximately \$2,200 in overpayments.

Key Recommendations

- Follow District policies when requesting or acquiring goods and services, including using competitive bidding when required.
- Ensure individuals responsible for procuring goods and services receive procurement training that details proper procurement practices.
- Conduct a thorough and deliberate audit of each claim before authorizing payment.

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

Audit Period

July 1, 2022 – October 3, 2023

Background

The District serves the Towns of Chautauqua, Ellery, North Harmony, Portland, Stockton and Westfield in Chautauqua County.

The seven-member Board of Education (Board) is responsible for the District's general management and control of financial affairs. The Board appointed a claims auditor, who is responsible for ensuring claims meet applicable policy requirements.

The Superintendent of Schools (Superintendent) is the chief executive officer responsible for the District's day-to-day management.

The appointed Transportation Director (Director) is responsible for vendor selection and purchases for the Transportation Department.

The Business Executive (Executive) oversees the District's business operations including acting as the District's appointed purchasing agent responsible for approving purchases.

Quick Facts

2023-24 Transportation Budget (Non-Payroll)	\$581,000
2022-23 Fuel Expenditures	\$247,000

Fuel Procurement

How Should Fuel Be Procured?

Fuel purchases should be made in accordance with a school district's procurement policies and in a manner that fosters competition and avoids favoritism and wastefulness. The District's procurement policies¹ required:

- Competitive bidding, unless the District can make purchases using contracts (State contracts) awarded by the New York State Office of General Services (OGS) or cooperative² purchasing arrangements, must be used for the purchase of all goods and services, including fuel purchases, that equal or aggregate to more than \$20,000.
- All purchases for goods and services to be made in such a manner that the cost achieves the maximum benefit for each dollar expended.
- The Board-appointed purchasing agent to determine whether a purchase complies with District policies by reviewing and approving each proposed purchase before it is made.

A school board or an appointed claims auditor must audit the respective claim against a school district before the claim is paid. A proper claims audit ensures all claims, including fuel purchases, are subjected to an independent, thorough and deliberate review that, among other things, determines that the school district complied with its written policies, and was billed correctly, and that each purchase was for an appropriate school district purpose. The Office of the New York State Comptroller provides various training tools for procurement³ and claims auditing,⁴ including webinars.⁵

District Officials Did Not Comply with the District's Procurement Policies

During the audit period,⁶ officials paid approximately \$247,000 to procure about 76,000 gallons of fuel. We reviewed these procurements and determined District officials did not always comply with the District's procurement policies as follows:

- District officials did not competitively bid or use State contracts or cooperative purchasing arrangements for approximately 54,000 gallons of unleaded fuel totaling approximately \$166,000. While the vendor generally charged the District the State contract price for unleaded fuel, pricing is only one component of the competitive bidding process. When purchases

1 The District has three different procurement-related policies that we used.

2 Where two or more entities work together to procure goods and services.

3 <http://www.osc.ny.gov/files/local-government/publications/pdf/seeking-competition-in-procurement.pdf>

4 <https://www.osc.ny.gov/local-government/publications/claims-auditing-process>

5 <http://www.osc.ny.gov/local-government/academy/webinars>

6 See Appendix B for more information on our sampling methodology.

are made based solely on price, and a competitive process is not utilized as required by policy, there is no assurance that procurements are not influenced by favoritism, fraud or corruption.

The Director told us that he was not aware that the unleaded fuel purchases were subject to the District's competitive bidding requirements because these purchases were made at the State contract rate, and he also had received written assurance from the vendor that the District would receive State contract pricing. The Director said he had not received any detailed training on proper procurement practices, and that he did not realize what he did was wrong.

- District officials used a State contract to purchase approximately 22,000 gallons of diesel fuel totaling approximately \$81,000. However, the District paid more than the State contract price per gallon and was overcharged by approximately \$2,200 in total for these purchases. When procuring goods through State contracts, officials are responsible for ensuring that the prices paid are in accordance with the State contracts. However, neither the Executive nor the claims auditor properly reviewed the fuel purchases to ensure the District obtained State contract pricing.

The Executive told us he did not know the particulars of proper fuel purchases and was not reviewing fuel purchases to ensure compliance with District policies, even though he was the Board-appointed purchasing agent. He told us that he would request more specific training to better familiarize himself with his responsibilities as purchasing agent, ensure the amounts being charged for fuel were accurate, and that future purchases complied with District policies.

The claims auditor told us that she had erroneously relied on District officials, such as the department head or purchasing agent, to review fuel purchases for proper pricing and compliance with the District's procurement policies.

While District officials should have ensured that fuel purchases were accurate and complied with District policies prior to sending claims to the claims auditor for review before payment, it is the claims auditor's responsibility to ensure that claims comply with District policies and are accurate. Therefore, the claims auditor should not have approved these claims for payment.

When District officials deviate from adopted policies, there is an increased risk that goods and services will not be obtained at a favorable cost. This also increases the risk of potential favoritism, extravagance, fraud and corruption with the purchasing functions.

District Officials Missed Opportunities to Reduce Fuel Costs

The Director was purchasing a higher grade diesel fuel, such as premium/supreme, for all diesel fuel purchases. These purchases were made at a higher cost per gallon and did not serve the District's purpose of maximizing the benefit for each dollar expended as required by District policies.

The Director told us he purchased premium/supreme diesel fuel because it included additives that prevented the fuel from "gelling"⁷ when temperatures fell below freezing. While untreated diesel fuel is known to potentially "gel" during colder months, the Director continued to purchase the higher priced fuel during warmer months as well.

We reviewed the approximate 4,700 gallons of premium/supreme diesel fuel delivered between July and October 2022, and the approximate 6,400 gallons of premium/supreme diesel fuel delivered between April and July 2023, both totaling approximately \$39,000. We determined that, if the Director had switched to a non-premium/supreme option during these months, the District could have saved approximately \$1,500 (4 percent) on these purchases.

The Director told us that, for convenience, he had fuel deliveries set up for automatic deliveries, and it did not occur to him to research lower cost options during the warmer months. The Executive told us that he needed more training on the particulars of fuel purchases, and that he had relied on the Director's judgment and experience for fuel purchases. Because District officials were not reviewing fuel purchases or actively seeking competition, they missed opportunities to obtain fuel purchases at a more favorable cost and to reduce total fuel costs.

What Do We Recommend?

The Board should:

1. Monitor or require the Executive, as the purchasing agent, to monitor compliance with procurement policies.
2. Ensure that the claims auditor conducts a thorough and deliberate audit of fuel claims and verifies State contract pricing before authorizing payment.
3. Ensure individuals responsible for procuring goods and services receive procurement training.

⁷ Diesel fuel includes paraffin wax that begins to crystalize or gel during colder temperatures.

The Executive should:

4. Consult OGS about the inaccurate diesel fuel charges from the State contract vendor and seek recovery of these funds, as appropriate.

The Executive and Director should:

5. Ensure that District policies are followed when goods and services are either requested or acquired, including the use of competitive bidding when required.

The Director should:

6. Examine the feasibility of switching to a lower cost diesel fuel option during the warmer months or when the benefit of additives and/or premium fuel is diminished.
7. Develop a review process to ensure amounts charged for State contract fuel purchases are accurate.

The claims auditor should:

8. Conduct a thorough and deliberate audit of each claim before authorizing payment, including verifying State contract pricing and ensuring claims are accurate and in compliance with District policies.

Appendix A: Response From District Officials



Chautauqua Lake Central School District "A Culture of Excellence"

Superintendent of Schools

Dr. Joshua Liddell
(716) 753-5808

Superintendent Secretary

& District Clerk
Heidi Martin
(716) 753-5808

School Business Executive I

Jackson Graham
(716) 753-5874

*Elementary Principal
& Director of Special
Education*

Megan Lundgren
(716) 753-5841

*Secondary Principal
& Data Coordinator*

Rachel Curtin
(716) 753-5882

K-12 Assistant Principal

Sarah Graham
(716) 753-5870

*Director of Technology
& Communications*

Taylor Meleen
(716) 753-5860

*Dean of Students and
Supervisor of Athletics*

Bryan Bongiovanni
(716) 753-5816

Board of Education

Michael Ludwig,
President

Travis Bensink,
Vice President

Jessup Baker

Andrea Munsee-Wellman

Jennifer Obert

Kenneth Shearer, Jr.

Zach Stahlsmith

May 3, 2024

Ms. Melissa A. Myers, Chief of Municipal Audits
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, NY 14203-2510

Dear Ms. Myers,

The Chautauqua Lake Central School District acknowledges receipt of the draft audit report issued by your office regarding fuel procurement practices between July 1, 2022 and October 3, 2023. As stewards of public funds, we take the findings and recommendations seriously and are committed to implementing corrective measures to ensure compliance with procurement policies and to optimize the use of taxpayer dollars.

Regarding the key findings highlighted in the report, we acknowledge that deviations from our procurement policies occurred, leading to missed opportunities for competitive pricing and overpayments. We understand the importance of adhering to established policies to mitigate risks in the procurement process. Therefore, it is important to note that we have already taken steps to address the identified deficiencies. Since the audit was performed, the district has worked with the vendor that was overpaid and received a credit to recover the full overpayment.

We understand the importance of transparency and accountability in the management of public funds. Accordingly, we commit to promptly preparing and submitting a comprehensive corrective action plan within the specified timeframe in your draft report.

We would like to extend our gratitude for the professionalism and courteous service displayed by all auditors that were assigned to our district for this audit.

Respectfully,

Dr. Joshua Liddell
Superintendent

100 North Erie Street - Mayville, NY 14757-9798 (716) 753-5800 - www.clake.org

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials, including Board members, the Superintendent, the Executive, the claims auditor, the Director, and other employees, and we reviewed policies, procedures and Board meeting minutes to gain an understanding of the District's process for purchasing fuel.
- We reviewed claim packets and canceled check images from July 1, 2022 through July 31, 2023, to identify all fuel purchases made by the District. We identified 14 payments totaling approximately \$247,000 for 143 deliveries of approximately 76,000 gallons of fuel. We reviewed each of the 143 deliveries against the requirements of the District's procurement policies to determine whether fuel purchases were made in compliance with District policies. We also reviewed the deliveries against awarded State contracts to determine whether the District utilized the State contract vendor and received the State contract pricing.
- We utilized recorded daily temperatures from November 1 through April 30 each year for the years 2020 through 2023 to determine, on average, which months of the year the District could have purchased fuel without cold weather additives. We then compared District purchases during these months of our scope period against lower cost fuel options from the State contract vendor to determine whether the District could have saved money on fuel purchases.

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.

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.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

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<https://www.osc.ny.gov/local-government>

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

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