

Panama Central School District

Procurement

2024M-73 | September 2024

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Report Highlights

Panama Central School District

Audit Objective

Determine whether the Panama Central School District (District) Board of Education (Board) and District officials purchased goods and services in compliance with the District's procurement policies.

Key Findings

The Board and District officials did not always comply with the District's procurement policies or New York State General Municipal Law (GML) Section 103, which generally requires purchase contracts that exceed certain thresholds to be competitively bid. In addition, the claims auditor did not perform adequate claims audits. As a result, \$1.1 million in purchases (half of the procurements we reviewed) were made without competitive procurement methods. Therefore, the Board, officials and the claims auditor did not help ensure that District funds were used to procure goods and services in a prudent and economical manner, in the best interests of taxpayers and that procurements were not influenced by favoritism, extravagance, corruption or fraud.

- Certain District officials delegated their procurement responsibilities to other individuals and did not ensure these individuals were adhering to the procurement policies and GML Section 103.
- The claims auditor also relied on other District officials to perform her job responsibilities and did not ensure District officials complied with the procurement policies and GML Section 103.

Recommendations

The audit report includes four recommendations that, if implemented, will improve the District's procurement practices.

District officials generally agreed with our findings and indicated they will initiate corrective action.

Audit Period

July 1, 2022 – March 6, 2024

Background

The District serves the Towns of Busti, Harmony, North Harmony and Sherman in Chautauqua County.

The District is governed by a seven-member Board, which is responsible for managing and controlling the District's financial affairs.

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

The District Treasurer (Treasurer) oversees the District's business operations. The Board appointed the Treasurer as the District's purchasing agent, which includes ensuring that officials and employees comply with established policies and procedures while procuring all goods and services.

The Board appointed a claims auditor who is responsible for ensuring that claims are properly supported and meet procurement policy and applicable legal requirements.

Quick Facts

July 1, 2022 – September 30, 2023

Approximate Total of Purchases	\$6.5 million
Purchases Reviewed	\$2.1 million

Procurement

What Are the Requirements of the District's Procurement Policies?

Last updated in 2023, the District's procurement policies (policies) require officials who are authorized to make purchases (procurement officials) and employees to analyze potential purchases to determine whether they must use a competitive bidding process to procure the goods and services. The policies state that this analysis applies to any purchase of supplies or equipment that exceeds \$20,000 – or is expected to exceed \$20,000 in aggregate for the same commodity or service – within the fiscal year. It also applies to public works contracts exceeding \$35,000. In addition, the policies state that procurement officials and employees must procure all estimated purchases for supplies and/or equipment:

- Of less than \$20,000, but greater than \$3,000, using written quotes from at least three vendors.
- Of less than \$3,000, but greater than \$1,000, using written quotes from at least two vendors.
- Of less than \$1,000 using one written or verbal quote.

Furthermore, the policies require procurement officials to use a request for proposals (RFP) process to procure professional services (i.e., attorneys, engineers and other specialized services), insurance coverage and sole-source purchases.

The Board appointed a claims auditor who is responsible for monitoring and enforcing compliance with GML as it relates to the District's claims and procurement policies and procedures.¹ The claims auditor must ensure that procurement officials and employees obtain responses to an RFP, or an appropriate number of quotes, and maintain adequate documentation to support and verify action taken to procure goods and services before approving a purchase.

Procurement officials and employees should be familiar with the policies and adequately perform their associated procurement responsibilities. When procurement officials and employees are not familiar with the policies, or they deviate from established procurement guidelines, they cannot help ensure that purchases are:

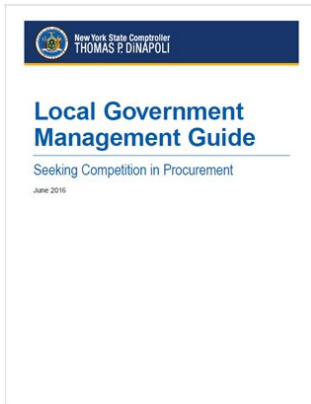
- A prudent and economical use of public funds
- In the best interests of taxpayers
- Not influenced by favoritism or extravagance
- Not subject to possible waste, corruption or fraud.

To assist school district and local officials, the Office of the New York State Comptroller (OSC) provides various publications and training tools for procurement, including the *Local Government Management Guide – Seeking Competition in Procurement*, *Local Government Management Guide – Improving the Effectiveness of Your Claims Auditing Process* and webinars provided through OSC's The Academy for New York State's Local Officials (Figure 1).

¹ Refer to Appendix A for more information on GML requirements.

FIGURE 1

OSC Publications and Webinars



Local Government Management Guide – Seeking Competition in Procurement^a



Local Government Management Guide – Improving the Effectiveness of Your Claims Auditing Process^b



Office of the State Comptroller
Webinar: Seeking Competition in Procurement^c

a) Access this publication at: <https://www.osc.ny.gov/files/local-government/publications/pdf/seeking-competition-in-procurement.pdf>

b) Access this publication at: <https://www.osc.ny.gov/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf>

c) The Office of the State Comptroller's Legal Division discusses legal requirements for competitive bidding, including statutory amendments to General Municipal Law Section 103 and various exceptions to the bidding requirements. Find more information about this webinar at: <https://www.osc.ny.gov/local-government/academy/webinars>

Officials Did Not Always Comply With the Procurement Policies

During our review of purchases of goods and services totaling approximately \$2.1 million that were made during our audit period,² we determined that procurement officials and employees did not always comply with the policies that, if followed, could help ensure compliance with GML Section 103. The purchases we reviewed included:

- Purchases totaling approximately \$1.1 million that should have been individually, or in aggregate, subject to competitive bidding.
- Purchases totaling approximately \$597,000 for professional services that should have been procured through an RFP process.
- Purchases totaling approximately \$412,000 that should have been procured using quotes.

² Refer to Appendix C for more information on our sample selection.

Specifically, procurement officials and employees did not:

- Solicit formal bids for purchases totaling approximately \$412,000. These included various types of goods and services purchased from the Erie 2-Chautaugua-Cattaraugus Board of Cooperative Educational Services (BOCES) totaling approximately \$233,000, \$110,000 for technology products and services, \$32,000 for curriculum materials and supplies, \$15,000 for fuel, \$15,000 for HVAC maintenance and \$7,000 for utilities.
- Issue RFPs or use any other form of competitive process before procuring insurance coverage and professional services totaling approximately \$392,000. These services included programs for students with disabilities (\$185,000), student accident and auto insurance (\$77,000), occupational education services (\$62,000), legal services (\$28,000), programs for English language learners (\$16,000), architectural services (\$11,000), advising services (\$8,000), physician services (\$5,000) and medical instrument calibration (\$200).
- Obtain the minimum number of number of quotes required for purchases totaling approximately \$313,000. Examples of these purchases include technology purchases (\$58,000), speaker services (\$46,000), curriculum materials and supplies (\$43,000), teaching materials (\$35,000), HVAC maintenance (\$21,000), fire protection services (\$15,000), furniture purchases (\$15,000) and BOCES services (\$14,000).

The Superintendent told us that he relied on the purchasing agent to ensure compliance with the policies. The purchasing agent told us that she relied on the department heads to comply with the policies. The claims auditor told us that she did not review for compliance with the policies, as part of the claims audit, because she assumed that the Superintendent and purchasing agent reviewed claims for compliance with the policies. Because District officials and the claims auditor did not ensure that procurement officials and employees complied with the policies, the District procured goods and services that were not competitively bid, and officials missed opportunities to reduce costs or save taxpayers money.

We reviewed purchases totaling \$412,000³ that were not competitively bid, but should have been, to determine whether procurement officials and employees could have obtained similar goods for less had they sought competition. We determined that the District could have saved approximately \$5,000 when purchasing protective tablet cases had procurement officials purchased them from a competing vendor.

When procurement officials and employees do not comply with the policies, the District has an increased risk that it may overpay for goods and services, or make inappropriate purchases.⁴ District officials also cannot help ensure that purchases are being made in the most prudent and economical manner and are safeguarded from potential favoritism, extravagance, fraud and corruption.

3 Refer to Appendix C for more information on our sample selection.

4 We determined that all purchases included in our audit sample were for appropriate District purposes.

What Do We Recommend?

The Board and Superintendent should:

1. Require the purchasing agent to enforce and monitor compliance with the policies.
2. Ensure that all procurement officials and employees are aware of the policies and require them to seek competition, as prescribed by the policies, before making purchases.

The purchasing agent should:

3. Ensure that procurement officials and employees comply with the policies and procedures by obtaining the required number of bids, quotes and proposals for each purchase.

The claims auditor should:

4. Monitor compliance with the policies as part of her claims audit process and ensure that procurement officials and employees obtain the required number of bids, quotes, and proposals for each purchase.

Appendix A: Competitive Bidding Information

School district officials must comply with GML Section 103, which generally requires school district officials and employees to competitively bid purchase contracts that exceed \$20,000 and public works contracts that exceed \$35,000. District officials also must comply with GML Section 104-b, which requires school district boards to adopt written policies and procedures that provide guidance for obtaining goods and services that are not legally required to be competitively bid.

GML states that these goods and services must be procured in a manner that assures the prudent and economical use of public funds, is in the best interests of taxpayers and that is not influenced by favoritism, extravagance, fraud or corruption. Instead of competitively bidding purchases, school districts also may make purchases using other publicly awarded government contracts, such as those of a county or the New York State Office of General Services.

Appendix B: Response From District Officials

Emily Harvey
Director of Instruction
& Special Education

Brynne Hinsdale
Director of Technology

Amanda Kolstee
District Treasurer

Panama Central School

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PANAMA, NEW YORK 14767
Phone 716-782-2455 Fax 716-782-4674
www.pancent.org

Aaron W. Wolfe
Superintendent

Leah Hayes
UPK-6 Principal

Scott Costantini
7 - 12 Principal

Genevieve Jordan
District Clerk

September 13, 2024

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

Dear Ms. Myers,

That Panama Central School District acknowledges receipt of the draft audit report (Report of Examination 2024M-73) issued by your office regarding procurement practices for the period of July 1, 2022, and March 6, 2024. The District and Administration would like to thank the Office of the State Comptroller for the assistance received during the audit.

The District continuously seeks opportunities to further the use of taxpayer dollars and appreciates the assistance received from the Office of the State Comptroller. The District immediately began implementing corrective action measures mid audit and will submit a detailed corrective action plan within the 90-day requirement.

Sincerely,

Aaron W. Wolfe
Superintendent

Cc: Amanda Kolstee, District Treasurer
Gregory Hudson, Board of Education President

Appendix C: 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 and employees and reviewed Board meeting minutes and policies to gain an understanding of the policies and procedures.
- We reviewed vendor history reports for the 2022-23 fiscal year and July 1, 2023 through September 30, 2023 and identified a population of 2,294 purchases totaling \$6.5 million. We sorted these purchases by vendor name and date of purchase and then combined like purchases into aggregate totals. From this list, we used our professional judgment to review purchases totaling \$1.1 million that were subject to competitive bidding, purchases totaling approximately \$597,000 that should have been procured through an RFP process and purchases totaling approximately \$412,000 that had not been competitively bid, but were subject to the District's competitive procurement requirements.
- For the purchases in our sample, we reviewed Board meeting minutes and available purchasing documentation, such as bidding documents, RFPs and related proposals received, written quotes and State contracts, to determine whether procurement officials and employees complied with the policies.
- From the purchases totaling \$412,000 that were subject to the District's competitive bidding requirements, but were not competitively bid, we used our professional judgment to review technology-related purchases to determine whether the District could have saved money on these 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.

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 D: 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

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Contact

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