

# Coxsackie-Athens Central School District

## Procurement and Claims Audit

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**DECEMBER 2018**

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

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# Report Highlights

## Coxsackie-Athens Central School District

### Audit Objectives

Determine whether District officials purchased goods and services in accordance with Board policy and applicable statutory requirements.

Determine whether claims were supported by adequate documentation, for appropriate purposes and audited and approved before payment.

### Key Findings

District officials did not:

- Seek competition for professional services obtained from seven providers who were paid a total of \$172,184 in 2016-17.
- Have required written quote documentation for purchases from 11 purchase contract vendors totaling \$91,585 and four public work contract vendors totaling \$27,319 in 2016-17.

The Board did not appoint an independent claims auditor.

### Key Recommendations

- Ensure District officials seek competition by obtaining bids and issuing requests for proposals (RFPs) for professional services in accordance with statutory requirements and District policy.
- Ensure the required quotes for goods and services are obtained and kept with purchasing documentation.
- Appoint a claims auditor who is independent of the purchasing process in accordance with New York State Education Law, Section 1709.

### Background

The Coxsackie-Athens Central School District (District) serves the Towns of Coxsackie, Athens, New Baltimore and Cairo in Greene County.

The nine-member Board of Education (Board) is responsible for the general management and control of operations. The Superintendent of Schools is the chief executive officer responsible for day-to-day management. The Assistant Superintendent of School Services oversees business operations and is the Board-appointed purchasing agent.

The Board appointed a claims auditor responsible for, among other things, ensuring that claims include adequate supporting documentation and determining that each claim meets procurement policy requirements.

#### Quick Facts

<b>2016-17 Expenditures</b>	\$31.5 million
<b>2017-18 Appropriations</b>	\$30.8 million
<b>Enrollment</b>	1,400
<b>Employees</b>	356

### Audit Period

July 1, 2016 – March 27, 2018

# Procurement

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## How Should Districts Procure Goods and Services?

New York State General Municipal Law (GML), Section 104-b requires the board to adopt written policies and procedures for procuring goods and services that are not subject to competitive bidding requirements, such as professional services.<sup>1</sup> GML states that these goods and services must be procured in a manner that ensures the prudent and economical use of public funds, in the best interest of taxpayers, and is not influenced by favoritism, extravagance, fraud or corruption.

The Board-adopted procurement policy (policy) sets thresholds for obtaining verbal and written quotes and requires two written quotes for public work contracts from \$3,001 to \$10,000, and three written quotes for individual items and aggregate purchases from \$5,001 to \$20,000 and public work contracts from \$10,001 to \$35,000. The policy also states that requests for proposals (RFPs) be used as to obtain all types of professional services.

## Officials Did Not Always Seek Competition for Professional Services

During 2016-17, District officials paid 21 professional service providers \$1.53 million. We selected and reviewed documentation for 13 providers<sup>2</sup> who were paid a total of \$1.49 million that year. We found that officials did not have RFP documentation for seven providers paid a total of \$172,184 to show that competition was sought for these services.

**Figure 1: Professional Services Procured Without an RFP**

Professional Service	Number of Providers	2016-17 Expenditures
Specialized Teachers and Therapy	5	\$134,131
Environmental Consulting	1	\$24,671
Financial Consulting	1	\$13,382
<b>Totals</b>	<b>7</b>	<b>\$172,184</b>

This occurred because the purchasing agent did not enforce policy documentation requirements. Although the services procured were for legitimate and appropriate purposes, District officials and the Board lack assurance that these services are procured in the most economical way, in the best interests of taxpayers and without favoritism.

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<sup>1</sup> 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.

<sup>2</sup> Each provider was paid more than \$5,000 during 2016-17.

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## **Officials Did Not Always Comply with Board Policy for Purchasing Documentation**

We reviewed payments totaling \$368,443 made to all 38 purchase contract vendors, who in 2016-17 were paid for single or aggregate purchases within the written quote thresholds, to determine whether the required quotes were obtained. District officials did not have written quote documentation for purchases from 11 vendors who were paid \$91,585.

In addition, we reviewed payments totaling \$79,672 made to all seven public work contract vendors for purchases that fell within policy thresholds to determine whether officials obtained the required quotes. District officials did not have written quote documentation for purchases from four vendors paid a total of \$27,319.

This occurred because the purchasing agent did not enforce the documentation required by the policy. Although the services procured were for legitimate and appropriate purposes, District officials and the Board lack assurance that goods and services are procured in the most economical way, in the best interests of taxpayers and without favoritism.

### **What Do We Recommend?**

The Board should:

1. Ensure District officials obtain bids and issue RFPs per GML and District policy.
2. Require the purchasing agent to ensure the required quotes for goods and services are obtained and kept with purchasing documentation before approving claims for payment.

# Claims Audit

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## What Is an Effective Claims Audit Process?

New York State Education Law (Education Law) Section 1709 requires boards to audit all claims before payment or to appoint a claims auditor to assume the board's powers and duties to examine and approve or disapprove claims. Education Law further states that individuals in certain positions cannot be appointed as claims auditor.

These positions include board members, the clerk or treasurer of the Board, the superintendent or other official of the district responsible for business management, the person designated as purchasing agent and clerical or professional personnel directly involved in school district accounting and purchasing functions.

An effective claims processing system ensures that every claim is subjected to an independent, thorough and deliberate review and contains adequate supporting documentation to determine whether it complies with statutory requirements and district policies, and that the amounts claimed represent actual and necessary expenditures.

The Board established a written policy requiring that the claims auditor review the vouchers to ensure that the:

- Proposed payment is for a valid and legal purpose.
- Obligation was incurred by an authorized official.
- Items purchased were received and services were rendered.
- Obligation does not exceed the available appropriations.
- Voucher is in proper form, mathematically correct, does not include previously paid charges and agrees with the purchase order or contract on which it is based.

In addition, as a best practices, the claims auditor should determine whether the claims are properly itemized and the purchase complies with the purchasing policy.

## The Board Did Not Appoint an Independent Claims Auditor

The Board appoints a claims auditor at the annual reorganizational meeting. However, the appointed claims auditor is not independent because she is a current District employee serving as a secretary in the District office and as the extra-classroom activities treasurer. Within these other duties, the claims auditor enters requisitions and receives goods which makes her directly involved in the purchasing process and in conflict with Education Law.

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District officials told us that in the past, the claims auditor's other positions were independent of purchasing and did not conflict with her independence as claims auditor. Gradually, the claims auditor assumed additional duties that conflict with her independence as claims auditor. As a result, the District does not comply with Education Law and claims are not independently verified for proper support before payment.

### **Claims Did Not Always Have Sufficient Supporting Documentation**

The claims auditor prints the checks with the accounts payable clerk and prepares a warrant report from the accounting system. She then signs the warrant report after reviewing the claims for appropriate signatures, a signed receiving copy of the PO and the invoice to ensure the amounts match the check amounts. She then forwards the warrant report to the purchasing agent.

We reviewed 50 claims<sup>3</sup> that included 85 purchases totaling \$202,914 from the 3,869 claims paid during our audit period to determine whether purchases were adequately supported. While we did not find any inappropriate payments, 15 purchases (or 18 percent) totaling \$67,995 did not have receiving documentation attached and five of those 15 claims totaling \$2,378 did not include any indication that the goods or services were received as evidenced by a signature of the receiver.

Although it is a good practice to have an employee certify the receipt of goods, it may not always be sufficient to ensure that all goods ordered are actually received. In one instance, all the supplies listed on the purchase order (PO), for a science classroom totaling \$302, were not received before an employee signed the PO receiving copy. The remaining supplies were received at a later date and the vendor separately submitted invoices for both shipments (supplies on the first invoice totaled \$255 and \$47 on the second). The District paid each invoice separately after the respective supplies were received.

Additionally, 17 purchases (or 20 percent) totaling \$16,595 did not have POs attached to the claims, instead had "authorization for direct payment" forms issued after the invoice was received. Although all claims reviewed appeared to be reasonable and legitimate, the use of these forms rather than POs circumvents internal controls and weakens the procurement and budget control process.

These issues occurred because the claims did not include adequate supporting documentation and the claims auditor did not audit the claims in accordance with District policy and best practices. The claims auditor did not review each claim to ensure that the voucher was in proper form and agreed with the purchase order, mathematically correct with no previously paid charges and agreed with the

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<sup>3</sup> See Appendix B for information on our sampling methodology.

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contract on which the payment was based. In addition, she did not ensure that the claims complied with the purchasing policy.

Without adequate supporting documentation, the claims auditor could not perform a thorough review of claims to ensure that the amounts claimed represented actual and necessary expenditures.

### **What Do We Recommend?**

The Board should:

3. Appoint a claims auditor who is independent of the purchasing process and as authorized by Education Law.
4. Ensure the claims auditor reviews claims in accordance with policy and best practices.

# Appendix A: Response From District Officials

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## COXSACKIE-ATHENS CENTRAL SCHOOL DISTRICT

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[www.cacsd.org](http://www.cacsd.org)

November 27, 2018

State of New York  
Office of the New York State Comptroller  
Newburgh Regional Office  
33 Airport Center Drive, Suite 103  
New Windsor, NY 12553

Re: Audit Response

To whom it may concern:

We have reviewed the draft audit report as presented in the Exit Conference conducted on November 6, 2018. We find no objection to the contents of the draft report and will respond to the findings in our Corrective Action Plan within 90 days.

We take the findings of the Comptroller very seriously and will use this information to improve our procedures.

Sincerely,

Coxsackie-Athens Central School District

Randall Squier, Superintendent

## Appendix B: Audit Methodology and Standards

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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 policies and procedures and interviewed District officials and the claims auditor to gain an understanding of procurement activities and the claims auditing process.
- We reviewed vendor histories to identify and select vendors where purchases exceeded the bidding threshold individually or in aggregate. We reviewed all 16 vendors (including one public works vendor) receiving aggregate payments above the bidding threshold (not professional services). We reviewed bid documents to determine whether purchases were properly bid.
- We reviewed the vendor histories for our audit period and identified 21 professional service providers. We selected all 13 professional service providers who received more than \$5,000 in 2016-17 and reviewed RFP documentation to determine whether competition was sought for the service provided.
- We selected all 45 vendors requiring written quotes in accordance with the policy. We reviewed voucher packets to determine whether quotes were obtained and attached and whether the lowest quote was selected and the amount charged matched the quoted price.
- Of the 3,869 claims totaling approximately \$30 million, we randomly selected 50 check disbursements for claims paid during the audit period to determine whether the corresponding claims for the disbursements were supported by adequate documentation, for appropriate purposes and audited and approved before payment.

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 relevant population size 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)

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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 District Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://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](http://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](http://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](http://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](http://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/lgli/pdf/cybersecurityguide.pdf](http://www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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](http://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](http://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](http://www.osc.state.ny.us/localgov/academy/index.htm)

## Contact

Office of the New York State Comptroller  
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110 State Street, 12th Floor, Albany, New York 12236

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