

# Enterprise Charter School

## Procurement

APRIL 2019



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

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# Report Highlights

## Enterprise Charter School

### Audit Objective

Determine whether School officials used a competitive process to procure goods and services.

### Key Findings

School officials did not:

- Always obtain competitive pricing in compliance with the School's procurement policy or publicly advertise for capital improvement projects.
- Verify that the School received the awarded New York State Office of General Services contract (State contract) pricing for goods procured.

### Key Recommendations

- Comply with the policy to secure quotes or requests for proposals when required, review all quotes received and publically advertise to meet procurement needs.
- Verify that the correct pricing is obtained when procuring goods or services using State contracts.

School officials agreed with our recommendations and indicated they are initiating corrective action.

### Background

A charter school is a public school financed by local, State and federal resources that is not under the control of a local school board. Charter schools generally have fewer legal operational requirements than traditional public schools. Most of the regulations for a charter school are contained in Article 56 of the New York State Education Law and its bylaws, charter agreement and fiscal/ financial management plans.

The Enterprise Charter School (School) is located in the City of Buffalo. A seven-member Board of Trustees (Board) is responsible for the general management and control of financial and educational affairs. The Board appoints a Superintendent who is responsible, along with the operations manager and other administrative staff, for day-to-day management under the Board's direction.

#### Quick Facts

Employees	63
2018-19 Enrollment	405
2018-19 Budgeted Expenditures	\$6.2 million
2018-19 Budgeted Non-payroll Expenditures	\$2.5 million

### Audit Period

July 1, 2017 – December 11, 2018

# Procurement

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## How Should School Officials Procure Goods and Services?

A board should adopt written policies and procedures for the procurement of goods and services to ensure the prudent and economical use of public money in a charter school's best interests. Soliciting competition for purchases promotes efficiency, cost control, transparency and accountability and helps ensure that quality goods and services are obtained at the lowest possible cost.

The School's policy requires School officials to secure written quotes from at least three providers or through a request for proposals (RFPs) process for purchases greater than \$5,000. In lieu of seeking competition, the School is authorized to make purchases using contracts awarded by the State. The policy requires that officials document the State contract award number on the purchase order or check request when purchasing using State contracts. The policy also states that professional service contracts are excluded from the requirement to seek competition and that nothing shall preclude the Superintendent from seeking competition for these contracts.

## Officials Did Not Always Competitively Procure Goods and Services

We reviewed 74 purchases<sup>1</sup> totaling approximately \$898,000 and found that they were for appropriate purposes. However, School officials did not obtain quotes or use RFPs for 27 purchases totaling approximately \$214,000. These included classroom renovation (\$27,900 in 2018-19), security camera installation (\$6,000 in 2017-18 and \$13,000 in 2018-19), and computers (\$8,300 in 2017-18).

Officials told us that they did not obtain RFPs for the classroom renovation and the camera installation because they had experience with these vendors. For the computer purchase, officials told us that they did not believe many vendors would be interested in a small order.

In addition, officials relied on vendors to provide State contract pricing and did not verify that the School received the correct contract price. We reviewed four purchases totaling \$22,950 that officials told us were obtained using State contracts. We found that two purchases totaling \$9,950 did not have the State contract award number written on either the purchase order or the check request, as required by the policy.

In addition, officials were unable to determine the specific State contract that was used. For the remaining two purchases totaling \$13,000, we contacted the New York State Office of General Services and found that the items purchased were not included in the State contract number listed on the invoice.

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<sup>1</sup> This included contracts for purchases, public works and professional services.

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Further, the School's purchasing policy does not require officials to publicly advertise for procurement needs, which would foster competition and ensure the largest pool of potential vendors for capital improvement projects. Officials paid \$174,000 to renovate classrooms during the summer of 2017.

Officials told us that they relied on their architect's firm to obtain proposals. However, the firm was unable to provide evidence showing that they publicly advertised bids to seek competition. Instead, the Board received three proposals from vendors who were contacted by the firm. We reviewed these proposals and found that officials chose the lowest priced proposal.

When the Board does not ensure that officials use competition to obtain goods and services, there is an increased risk that the goods and services obtained may not have been procured in the most economical way. Publically advertising to meet procurement needs increases transparency and helps ensure that public money is expended in the most efficient manner.

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

The Board should ensure that School officials:

1. Comply with its policy to secure quotes or RFPs when required, review all quotes received and publically advertise to meet procurement needs.
2. Verify the correct pricing was obtained when using State contracts.

# Appendix A: Response From School Officials

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March 25, 2019

Mr. Jeffrey D. Mazula, Chief Examiner  
State of New York Office of the State Comptroller  
Buffalo Regional Office  
295 Main Street, Suite 1032  
Buffalo, New York 14203-2510

Dear Mr. Mazula:

The Board of Trustees has reviewed your draft report for the Procurement Report of Examination 2019M-6 for Enterprise Charter School. We appreciate your input and welcome the opportunity to strengthen the existing internal controls of our School.

We recognize the need to continually revisit and evaluate the effectiveness of our internal controls on an on-going basis. We believe the following response addresses the matter reported in the preliminary draft.

**Response to recommendation:**

We acknowledge the recommendation for the State of New York Office of the State Comptroller as follows:

**Audit Recommendation:**

School officials should comply with the policy to secure quotes or requests for proposals when required, review all quotes received and publically advertise to meet procurement needs.

School officials should verify that the correct pricing is obtained when procuring goods or services using State contracts.

**Corrective Action Plan:**

Enterprise Charter School has adopted a procedure in which the Operations Manager, Custodian, Technology Specialist, and/or other purchasing agent will request the State contract number be listed on all bid forms when requesting pricing for purchases made and verify the contract number and pricing using the Office of General Services website. These same school officials will also ensure that an RFP will be advertised for public awareness and competitive pricing opportunities for procurements over \$5,000. and will

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obtain at least three bids as described in our Accounting Policies and Procedures Manual.

**Implementation Date:**

Immediately

**Person Responsible for Implementation:**

Operations Manager, Custodian, Technology Specialist, Business Manager

Very truly yours,

Thomas Ess, Chairperson – Board of Trustees

cc: Julie Schwab, Superintendent

Michael Donlon, Vice-Chairperson – Board of Trustees

Nancy Krug, Operations Manager

## 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 Section 2854 of the New York State Education Law, as amended by Chapter 56 of the Laws of 2014. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We reviewed the School's charter, bylaws and written policies and interviewed personnel to gain an understanding of the School's purchasing practices.
- We reviewed and summarized payments made during the audit period for purchases and professional services over \$5,000.
- The School had 64 vendors who were each paid over \$5,000 during our audit period, 515 payments were made to these vendors from July 1, 2017 through September 11, 2018. We judgmentally selected 41 vendors, who received 172 payments (74 purchases), which required quotes or RFPs, and included purchases near the dollar thresholds requiring quotes and RFPs. We excluded payments made to government entities, utility companies, insurance companies and individual purchases that were under \$5,000 from our sample of vendors.
- For the sample selected, we reviewed the supporting documentation, such as invoices, RFPs and quotes, to determine whether officials solicited competition for purchases and professional services.

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 the relevant population size and the sample selected for examination.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

## 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/pubs/cyber-security-guide.pdf](http://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](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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[www.osc.state.ny.us/localgov/index.htm](http://www.osc.state.ny.us/localgov/index.htm)

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

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