

# Sauquoit Valley Central School District

## Procurement

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FEBRUARY 2020

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

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# Report Highlights

## Sauquoit Valley Central School District

### Audit Objective

Determine whether District officials ensured that competition was sought for the purchase of goods and services not subject to competitive bidding.

### Key Findings

District officials did not:

- Seek competition for seven professional service providers who were paid \$325,131 during our audit period.
- Obtain written or verbal quotes for the purchase of goods and services from five vendors paid \$267,306.

The Board did not review and update the District procurement policy.

### Key Recommendations

- Use a request for proposal (RFP) process or solicit quotes to seek competition when procuring professional services.
- Obtain verbal and written quotes as required by the procurement policy.
- Document all purchase decisions including the justification for using sole source vendors.
- Annually review the procurement policy and update it as needed.

District officials generally agreed with our recommendations and indicated they planned to take corrective action.

### Background

The Sauquoit Valley Central School District (District) serves the Towns of Frankfort and Litchfield in Herkimer County, and the Towns of Bridgewater, Kirkland, Marshall, New Hartford and Paris in Oneida County.

The District is governed by a seven member Board of Education (Board). The Board has overall responsibility for financial and educational affairs. The Superintendent of Schools (Superintendent) along with other administrative staff, is responsible for the day-to-day operations.

The account clerk is the Board-designated purchasing agent and is responsible for operating the District's purchasing program in compliance with the Board approved procurement policy. The Business Manager is responsible for ensuring that the required number of quotes for purchases are received. Currently, the Treasurer is the acting Business Manager.

#### Quick Facts

Employees	167
Enrollment	969
General & Capital Funds Non-payroll Expenditures for the Audit Period	\$21.0 million

### Audit Period

July 1, 2018 – July 31, 2019

# Procurement

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## How Should Officials Procure Goods and Services?

New York State General Municipal Law (GML) GML generally requires school districts to solicit competitive bids for purchase contracts that aggregate to more than \$20,000, and public works contracts that aggregate to more than \$35,000 within a year.<sup>1</sup> GML requires school districts to adopt written policies and procedures for procuring goods and services not subject to competitive bidding requirements.<sup>2</sup>

GML stipulates that goods and services that are not required by law to be competitively bid, such as professional services, must be procured in a manner to assure the prudent and economical use of public money in the taxpayer's best interest to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost under the circumstances, and to guard against favoritism, improvidence, extravagance, fraud and abuse.

Using a competitive method, such as an RFP process or required quotes, helps ensure that the district obtains needed goods and services upon the most favorable terms and conditions and in the taxpayer's best interest.<sup>3</sup> A written contract is essential to provide both parties with a clear understanding of the services to be provided, the time frames and the basis for compensation. In lieu of seeking competition, a district is authorized to make purchases using contracts awarded by the New York State Office of General Services (State contracts) or contracts bid by other governments, school districts and boards of cooperative educational services (BOCES) or for purchases available from only one source (sole source).

A district's policies and procedures should define any exceptions to seeking competition and set forth circumstances when, or types of procurements for which the district has determined the solicitation of alternative proposals or quotes will not be in the district's best interests. GML requires documentation for each decision taken in connection with each method of procurement.<sup>4</sup> In addition, the governing Board should annually review and update the policies and procedures to ensure procedures are current and meet the district's changing needs.

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1 New York State General Municipal Law (GML), Section 103

2 GML, Section 104-b

3 Refer to our publication *Seeking Competition in Procurement* available on our website at [www.osc.state.ny.us/localgov/pubs/lmgm/seekingcompetition.pdf](http://www.osc.state.ny.us/localgov/pubs/lmgm/seekingcompetition.pdf)

4 GML, Section 104-b

The District’s procurement policy generally requires the solicitation of competition before awarding professional service contracts. The policy specifies that the Superintendent has discretion whether to use an RFP process or require verbal quotes as the basis for making recommendations on contracts for professional services to the Board.

The policy also requires officials to obtain quotes, within certain dollar thresholds, when procuring goods and services below the bidding threshold. The policy does not require quotes for sole source purchases for which there is no possibility of competition. In these instances, the policy requires documentation demonstrating, among other things, the unique benefits as compared to other items available in the marketplace. The current policy requires two verbal or written quotes for purchase contracts between \$5,000 and \$10,000. For public works contracts, the policy requires two verbal quotes for contracts less than \$9,999, and two written quotes for contracts between \$10,000 and \$20,000.

According to the policy, documentation will include notations of verbal quotes (e.g., telephone logs, or written quotes submitted by vendors). The policy requires the Business Manager to record all quotes received and certify that the minimum number of quotes have been obtained. In addition, all quotes or information on telephone quotes should be attached to the purchase order submitted to the purchasing agent.

### Officials Did Not Always Seek Competition for Professional Services

We reviewed the procurement of services from 10 professional service providers paid a total of \$549,477 during our audit period. District officials did not seek competition through RFPs or obtain quotes for the services provided by seven professional service providers who were paid a total of \$325,131. Officials solicited proposals from two service providers who were paid a total of \$191,395.<sup>5</sup> The remaining provider was paid \$32,951 for fire alarm services, which were procured through a State contract.

**Figure 1: Professional Services Procured Without Competition**

Service Type <sup>a</sup>	Payments
<b>Physical and Occupational Therapy (1)</b>	\$188,628
<b>Legal (2)</b>	\$45,352
<b>Environmental Services (2)</b>	\$43,133
<b>Financial Consultant (1)</b>	\$26,294
<b>Engineering (1)</b>	\$21,724
<b>Total</b>	<b>\$325,131</b>

<sup>a</sup> Number of service providers in each category shown in parentheses

<sup>5</sup> The architectural service provider was paid \$175,395 and the audit service provider was paid \$16,000.

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The Superintendent told us that he was unaware that District policy required RFPs or written documentation of verbal quotes for professional services, except for audit services. He also told us that the District had used its legal team and the financial service consultant for many years and was comfortable working with them.

The Treasurer told us that RFPs were not solicited for therapy services provided to special education students because it is generally not recommended that districts switch providers due to these students' need for a sense of stability. She also told us that it is preferable to use therapy service providers located closer to the District, and it may be expensive to seek the services of other providers.

However, we found that District officials did not maintain adequate written documentation of these explanations and their rationale for choosing the service providers.<sup>6</sup> In addition, the purchasing agent did not ensure that the Treasurer, as acting Business Manager, certified that the required quotes were obtained and attached to the purchase orders submitted to her, as required by the policy.

The District had written agreements with each of the 10 professional service providers during our audit period. We compared payments totaling approximately \$133,000 made to these providers with the agreements and found that except for a minor discrepancy, which we discussed with District officials, the payments were in accordance with the terms of these agreements.

When officials do not seek competition for professional services in accordance with their adopted policy, they cannot assure taxpayers that procurements are made in the most prudent and economical manner, without favoritism.

### **Quotes Were Not Always Obtained for Purchases**

We examined the payment records of 13 vendors who were paid a total of \$468,970 during the audit period to determine whether officials obtained competitive quotes, as required by the procurement policy. District officials paid a total of \$267,306 (57 percent) to five of these vendors for goods and services without seeking the required number of written or verbal quotes as follows:

- The commercial liability insurance provider was paid \$231,963 without obtaining the procurement policy's required quotes. Officials told us that they were satisfied with the coverage and services received from the insurance company and unaware that their procurement policy required written quotes for the procurement of insurance.

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<sup>6</sup> District policy allows an exception to obtaining quotes and using an RFP process if the Board believes the solicitation of alternate quotes will not be in the District's best interest. However, the policy requires that documentation be kept explaining why such solicitation is not in the District's best interest.

- Two educational software vendors were paid a total of \$16,671. A middle school principal told us that the selected vendors were the only manufacturers that supply the educational items needed to accommodate the District’s curriculum and programs. However, no documentation was available to show the unique benefits of the items purchased or to substantiate that no competition was available for these purchases, as required by the policy.
- Two furniture vendors were paid a total of \$18,672 without obtaining the required quotes.

Our testing showed that \$201,664 (43 percent) of the purchases we reviewed contained evidence that District officials used competitive methods to select the vendors. Officials properly obtained and documented written quotes for the purchase of sporting equipment totaling \$14,413 from one vendor. In addition, purchases totaling \$187,251 from seven vendors were procured through an existing national contract, State contract or from an approved BOCES bid list and did not require quotes.

**Figure 2: Purchases Made Using Competitive Methods**

Purchases <sup>a</sup>	Payments
<b>Computer Equipment (2)</b>	\$104,319
<b>Cleaning Supplies &amp; Printing Paper (2)</b>	\$44,330
<b>School Bus Parts and Supplies (1)</b>	\$27,109
<b>Sporting Equipment (1)</b>	\$14,413
<b>Furniture (2)</b>	\$11,493
<b>Total</b>	<b>\$201,664</b>

a Number of vendors tested in each category shown in parentheses

When District officials do not always adhere to their policy and procedures for obtaining quotes for goods and services not subject to competitive bidding, they do not have adequate assurance that the District is receiving the best price for the items purchased. Additionally, when documentation is not maintained for exceptions to seeking competition, officials cannot be certain that the procurement policy is followed.

### The Procurement Policy Was Not Updated

The Board has not updated or revised the procurement policy in more than 15 years. The policy was last revised in August 2004 and the Board recently re-adopted it in July 2018 without any changes. District officials told us that the Board does not annually review the policy, as required.

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As a result, the policy is outdated because it references the GML bidding thresholds for purchase contracts in excess of \$10,000 and public works contracts in excess of \$20,000, not the current thresholds.<sup>7</sup>

While the Board may choose to require competitive bidding for procurements below the GML thresholds, it should update its policy to clarify the dollar thresholds that require bidding to provide clear guidelines to officers and employees responsible for purchasing.

## **What Do We Recommend?**

District officials should:

1. Use an RFP process or obtain quotes to solicit competition when procuring professional services, as required by the procurement policy.
2. Obtain verbal and written quotes as required by the policy for goods and services below the bidding threshold.
3. Adequately document all purchase decisions including the justification for using sole source vendors and the reasons why solicitation of proposals or quotes is not in the District's best interest.

The Board should:

4. Update the procurement policy to clarify when competitive bidding is required.
5. Annually review the procurement policy and periodically update it, as necessary, to meet District needs.

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<sup>7</sup> GML, Section 103 requires sealed bids to be solicited for purchases in excess of \$20,000 and public works in excess of \$35,000.

# Appendix A: Response From District Officials



## Sauquoit Valley Central School District

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February 14, 2020

Office of the New York State Comptroller  
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Syracuse Regional Office  
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Syracuse, NY 13202-1428

RE: Sauquoit Valley Central School District  
Procurement, 2019M-228

Dear Ms. Wilcox:

The Sauquoit Valley Central School District has received the Draft Audit Report – Procurement for the audit period of July 1, 2018 – July 31, 2019 as prepared by the Office of the State Comptroller. On behalf of the Board of Education and the District’s Administration, we would like to thank the Comptroller’s staff for conducting the audit with professionalism, due diligence and courteousness while performing this audit.

Our response to the audit has been prepared in accordance with the Guidelines furnished by the Office of the State Comptroller responding to an OSC Audit Report.

The Sauquoit Valley Central School District views this audit as an opportunity to review, strengthen and improve both our financial processes and oversight. Procurement requires compliance with New York State General Municipal Law (GML), is guided by district policy, implemented by administration through written procedures and monitored by the internal audit practice.

The Report of Examination issued by the State Comptroller’s Office offers two Key Findings in the Report in which the District will provide the following information for each finding:

**Key Finding #1: District officials did not seek competition for seven professional service providers who were paid \$326,131 during our audit period:**

It should be first noted that General Municipal Law §103 and/or §104 do not require professional services to be competitively bid.

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Professional services that require special skill, training, expertise, the use of professional judgement or discretion, and/or a high degree of creativity in the performance of the contract, do not need to comply with competitive bidding procedures. These professional services include legal services, architectural services, medical services, property appraisals and insurance. One exception to this is the annual audit services which the District must procure through competitive RFP which the district has done.

The Office of the State Comptroller published a document entitled Professional Services Procurement: Considerations for Local Officers dated July 2018. This document provides guidelines as to the best practice in soliciting professional services. It is stated on Page 1 of the Comptroller's document that "However, there is a well-established exception to these competitive bidding requirements with respect to the procurement of professional services, such as those rendered by attorneys, engineers or accountants. The primary rationale for the exception is that such services are not the type of "public work" that properly may be the subject of competition based solely on compliance with the objective, uniform standards of bid specification, pursuant to a contract awarded to the lowest responsible bidder. Generally, these services involve specialized skill, training and expertise, and use of professional judgment or discretion. In many cases, cost is only one element that a responsible local official would want to consider when awarding a professional service contract. The financial consequences of the advice given by the professional in question, such as choosing the most appropriate size for a drinking water system or evaluating school transportation needs, can be much larger than the direct cost of hiring the professional."

The professional services in question include \$188,628 for Physical and Occupation Therapy services, \$45,352 for legal services, \$43,133 for environmental services, \$26,294 for financial consultation services and \$21,724 for engineering services.

The District maintains the following with respect to the professional services:

- The physical and occupation therapy services are provided to special education students. These services provided are specific in nature, maintaining stability and consistency is in the best interest of the students being served.
- Legal services often requires historical information regarding the District. The District feels that maintaining a consistent legal counsel ultimately saves the district money as time does not have to be spent explaining past legal matters.
- The environmental services and engineering services were part of the capital project and secured by the architects of the project.
- The Financial Consultant services were renewed yearly due in large part to the ongoing capital project and the need for financing services. It would not be in the best interest of the district to switch consultants during the period of financing the capital project.

**Key Finding #2: District Officials did not obtain written or verbal quotes for the purchase of good and services from five vendors paid #267,306:**

The five vendors paid included the following:

- Commercial Property & Casualty Insurance was paid \$231,963. While there may be a less expensive insurance policy, there are many factors to consider when properly insuring the school district.

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- Educational Software Vendors were paid a total of \$16,671. The education software in question is only supplied through these vendors and is needed to accommodate the District's curriculum and instruction programs. The District however, did not make a note of this fact on the purchase orders.
  - Two furniture vendors were paid a total of \$18,672. The furniture vendors in question were part of the capital project with the selection being made based on requirements of the capital project specifications.

### **Response to Recommendations and Corrective Action Plan**

#### **Auditor Recommendations:**

1. Use a request for proposal (RFP) process or solicit quotes to seek competition when procuring professional services.

#### **District Response and Corrective Action:**

While the District feels that we are not required to use a request for proposal or solicit quotes for professional services, we will in the future obtain either an RFP or quotes to seek competition but will reserve the right to accept the most qualified service.

2. Obtain verbal and written quotes as required by the procurement policy.

#### **District Response and Corrective Action:**

The administration has reviewed the procurement policy will obtain the necessary verbal or written quotes are required with the only exception being an emergency situation in which case that fact will be documented.

3. Document all purchase decisions including the justification for using sole source vendors.

#### **District Response and Corrective Action:**

The District agrees with the recommendation and will obtain adequate supporting documentation for those goods and services obtained from a sole source vendor.

4. Annually review the procurement policy and update as needed.

The District agrees with the recommendation and will review the procurement policy and update and/or clarify practices and procedures pursuant to General Municipal Law §103 and §104.

#### **District Comments:**

Again, the District would like to thank the staff of the State Comptroller's Office for thoroughly reviewing the District's Purchasing Policies and Procedures. We are open to the recommendations and willing to take any steps necessary to improve our high level of internal controls in order to assure

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taxpayers that the District is making every effort in spending in the most economical and appropriate manner possible.

Sincerely,

Ronald Wheelock  
Superintendent of Schools

Cc: Board of Education

## 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 interviewed District officials and employees and reviewed relevant laws and the procurement policy and procedures to gain an understanding of the procurement process.
- We reviewed electronic cash disbursement data for the audit period and sorted data to select the population of purchases subject to quotes and RFPs.
- To obtain our sample of professional service providers, from the disbursement list we excluded all vendors that were not professional service providers. For those vendors we were uncertain about, we contacted District officials to obtain clarification as to whether the vendors were professional service providers. We identified 10 professional service providers paid during the audit period and reviewed all payments made to these providers to determine whether RFPs were obtained.
- We reviewed written agreements between the District and each provider to determine whether the highest payment made to each provider during the audit period, and corresponding invoice was paid in accordance with the agreement.
- To obtain our sample of purchase contracts and public works contracts, from the disbursement list we excluded any vendors with annual payments that exceeded the procurement policy's \$10,000 bidding threshold. We also excluded payments made to other school districts and municipalities and annual payments to vendors that did not exceed the policy's \$5,000 threshold for obtaining quotes. We identified 13 vendors who were collectively paid a total of \$468,970 for 21 claims during the audit period. We reviewed all these claims to determine whether officials obtained quotes as required by the policy or whether purchases were procured through an existing State contract or from a BOCES bid list.

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.

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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

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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

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