



Jamesville-Dewitt Central School District Procurement

Report of Examination

Period Covered:

July 1, 2014 – December 31, 2015

2016M-264

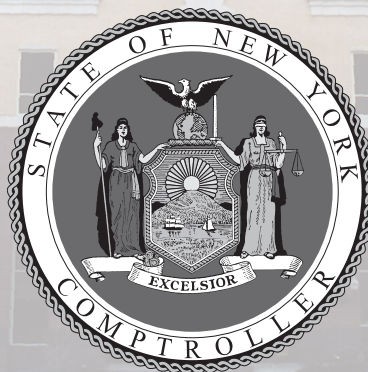


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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Jamesville-Dewitt Central School District, entitled Procurement. This audit was conducted 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.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Jamesville-Dewitt Central School District (District) is located in the Towns of Dewitt, LaFayette, Manlius, Onondaga and Pompey in Onondaga County (County). The District is governed by the Board of Education (Board), which is composed of nine elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. Annually, the Board appoints the Business Administrator as the purchasing agent.

The District operates five schools with approximately 2,940 students and 520 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$52.5 million, which were funded primarily with real property taxes and State aid.

Objective

The objective of our audit was to examine the District's purchasing practices. Our audit addressed the following related question:

- Did the Board ensure that goods and services were purchased competitively?

Scope and Methodology

We examined the District's procurement practices for the period July 1, 2014 through December 31, 2015. We extended a review of a professional service contract to its inception in September 2013.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report. 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.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, District officials generally agreed with our recommendations. Appendix B includes our comment on an issue raised in the District's response letter.

The Board has the responsibility to initiate corrective action. 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, 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, with a copy forwarded to 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 Board should make the CAP available for public review in the District Clerk's office.

Procurement

General Municipal Law (GML) requires school districts to solicit competitive bids for purchase contracts that equal or aggregate to more than \$20,000 and public works contracts that equal or aggregate to more than \$35,000. GML also requires the Board to adopt written policies and procedures governing procurement of goods and services that are not subject to competitive bidding requirements, such as professional services, and purchases that fall under the competitive bidding thresholds. These policies and procedures should indicate when District officials must use competition and the competitive methods that will be used. The Board is responsible for enforcing compliance with purchasing requirements and ensuring that written agreements are entered into for professional services to provide a clear understanding of the services expected and basis of compensation. An effective purchasing process helps ensure resident dollars are spent efficiently while guarding against favoritism, extravagance, fraud and corruption.

The Board's purchasing policy, adopted in August 2014 and revised in January 2015, provides guidance for the procurement of goods and services and public works which require competitive bidding. In addition, although the Board adopted a policy in August 1995 and revised it in January 2015 describing its responsibilities and the need to develop further guidance for procuring goods and services not required to be competitively bid, the policy was deficient since the Board developed no further guidance. Therefore, officials do not have guidance for the procurement of professional services or purchases under the competitive bidding thresholds.

During our audit period, District officials did not use competition when procuring five professional service contracts costing \$605,947¹ including a \$57,999 overpayment of one of these contracts. In addition, officials did not use competition or enter into a written agreement for two attorney service contracts totaling \$203,866. The District made two purchases totaling \$81,834 without using competitive bidding as required. Finally, officials did not seek competition for 15 purchases under the competitive bidding thresholds totaling \$63,916. As a result, the Board does not have adequate assurance that these goods and services were procured in the most economical way and in the best interests of its residents.

¹ The contracts were for architecture (\$199,354), project management (\$18,590), building survey (\$77,090) and two contracts for insurance (\$310,913).

Professional Services

GML requires that districts adopt policies and procedures governing the purchase of goods and services when competitive bidding is not required. While GML does not require competitive bidding for the procurement of professional services that involve specialized skill, training and expertise; use of professional judgment or discretion; or a high degree of creativity, using a request for proposal (RFP) process or obtaining quotes is an effective way to ensure that the District receives the desired services for the best price. In addition, prudent business practices dictate that a written contract for professional services be entered into to provide both parties with a clear understanding of the services expected to be provided and the compensation for those services. Finally, contracts should be monitored to ensure payments do not exceed agreed-upon terms.

The District's purchasing policy does not provide guidance for soliciting competition when procuring professional services. We judgmentally selected 11 professional service contracts totaling \$857,630² to determine whether officials solicited competition, entered into written agreements and the professionals were compensated in accordance with agreed-upon rates. Officials issued RFPs, entered into written contracts and paid for services according to contract terms for two external and two internal audit contracts totaling \$47,817. However, we found the following:

- District officials did not solicit competition for four contracts totaling \$587,357: two insurance service contracts totaling \$310,913, an architecture contract totaling \$199,354 and a building survey contract totaling \$77,090. When officials award professional service contracts without the benefit of competition, officials cannot assure District residents that they are procuring services from the most economically beneficial and qualified service providers and that the procurements are free from favoritism.
- The District hired a law firm to provide attorney services³ costing \$203,866 without seeking competition and without written agreements. Without written agreements, there is no clear understanding of what compensation these professionals are entitled to and the extent of the services that they are obligated to provide.
- During the audit period, District officials made payments totaling \$18,590 for a construction management contract.⁴

² Insurance services (\$153,770 and \$157,143), attorney services (\$135,932 and \$67,934), architect services (\$199,354), building survey (\$77,090), external audit services (\$18,000 and \$17,500), construction management (\$18,590) and internal audit services (\$8,132 and \$4,185)

³ Fiscal year 2014-15 for \$135,932 and fiscal year 2015-16 for \$67,934

⁴ The contract began in September 2013.

We reviewed the contract and found it had a maximum compensation amount of \$142,000. We also found officials made payments on this contract totaling \$199,999, overpaying the contract by \$57,999. When overpayments are made to service providers, there is an inherent risk that such payments may not be recovered in a timely manner, if at all, so every precaution should be taken to prevent the overpayments from occurring in the first instance.

District officials told us they chose these service providers because they have a long-standing history with these vendors. When officials do not seek competitive prices for services, the Board has little assurance that the District has obtained the best prices in the best interest of District residents. Without entering into and monitoring written agreements, there is an increased risk that the District could pay more for the services than intended.

Competitive Bidding

The District's adopted purchasing policy requires District staff to competitively bid purchases based on established GML thresholds. In lieu of advertising for bids, District officials may use certain contracts awarded by Boards of Cooperative Educational Services (BOCES), the County, the federal government and the New York State Office of General Services (OGS). Effective use of competition helps to ensure that the District is getting the best quality at the lowest possible price and assures residents that public moneys are being spent in a prudent and economical manner.

We reviewed six purchases⁵ totaling \$503,870 that were subject to competitive bidding. District officials appropriately made four purchases totaling \$422,036 from BOCES, OGS or County contracts, or through competitive bidding. District officials did not competitively bid the purchase of two vehicles costing \$60,604 and a sound system costing \$21,230. District officials told us they thought that they purchased the vehicles from a State contract vendor. However, the purchase was not made from the awarded OGS contract vendor, therefore, District officials should have competitively bid. As a result, officials cannot assure residents that it received the best price on these purchases.

Competitive Quotes

GML requires the Board to adopt written policies and procedures for the procurement of goods and services that are not subject to competitive bidding requirements. Using a quote process is an effective way to ensure that the District receives the desired goods and services for the best price. The Board did not develop guidance for purchases costing less than the competitive bidding thresholds.

⁵ Roofing project (\$315,049), two vans (\$60,604), a truck (\$45,435), building security monitoring (\$38,000), diesel fuel (\$23,552) and a sound system (\$21,230)

We tested 25 purchases totaling \$131,956 to determine if the District sought competition and selected the lowest bidder. The District received multiple quotes and selected the lowest priced goods or purchased from contracts awarded by OGS for 10 purchases⁶ totaling \$68,040. Officials did not seek competition for 15 purchases totaling \$63,916.

Figure 1: Goods and Services Purchased Without Competition

#	Description	Amount
1	Vinyl Tile and Installation	\$8,903
2	Equipment Repairs	\$7,150
3	Cafeteria Tables	\$6,264
4	Annual Inspection of Gym Equipment	\$5,281
5	High Jump Package	\$4,910
6	Bus Repairs	\$3,762
7	Waste Oil Removal and Tank Cleaning	\$3,525
8	Waste Oil Removal and Tank Cleaning	\$3,442
9	Waste Oil Removal and Tank Cleaning	\$3,369
10	Portable Batting Cage	\$3,310
11	Bus Repairs	\$3,204
12	Fiber Mulch	\$2,971
13	Waste Oil Removal and Tank Cleaning	\$2,950
14	Ice Machine	\$2,600
15	Equipment Repairs	\$2,275
	Total	\$63,916

The purchasing agent told us that multiple quotes were not obtained and they chose vendors or items for a variety of reasons such as reliability of a product, efficiency of operation, difficulty/ease of maintenance, ability to meet needs regarding timeliness of performance and experience with the service provider. Because the Board failed to provide guidance on purchases that are below the competitive bidding thresholds, District officials did not always seek competition when procuring goods and services.

Recommendations

The Board should:

1. Amend its purchasing policy to include guidance for the procurement of professional services and goods and services costing less than the competitive bidding thresholds.

⁶ The 10 purchases were for pole vault package (\$14,638), fire alarm inspections (\$13,051), hurdles (\$12,490), hurdle cart (\$8,169), pole vault platform (\$4,900), portable benches (\$4,421), hurdle cart (\$3,239), high jump platform (\$2,442), hurdle cart cover (\$2,411), and trash bags (\$2,279).

2. Enter into written agreements for each professional service provider that clearly stipulate the services to be provided and the basis for compensation.
3. Direct the District's attorney to review the identified overpayment and take appropriate legal action, if necessary, to recover those funds.
4. Comply with GML and its procurement policy for purchases above the competitive bidding thresholds.

The District officials should:

5. Ensure that payments to vendors are in accordance with contract terms.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page.

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DR. ALICE KENDRICK
SUPERINTENDENT

September 30, 2016

Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Re: Response to Report of Examination

Dear Mrs. Singer:

Thanks to you and your staff for your review of our procurement policies and process. The two main concerns that were discovered, is that the Board of Education should provide more guidance for the procurement of professional services, such as insurance, attorneys, architects and auditors and goods and services costing less than the competitive bidding thresholds.

Currently, General Municipal Law requires that the only professional service that is required to be bid on every 5 years is auditing services. As I understand your report the Board of Education should provide guidance as to when the district needs to bid all other professional services. This guidance is strictly the decision of the Board of Education and that decision should be documented in either policy or regulation.

The second item, is that the Board of Education needs to provide more guidance for competitive bids with purchases pursuant to law. The General Municipal Law requires that purchase contracts for materials, equipment and supplies involving estimated annual expenditures exceeding \$20,000 and public works contracts involving expenditures of more than \$35,000 require soliciting formal bids. Again, this guidance is at the sole discretion of the Board of Education and should be documented in policy or regulation.

The district does believe it meets the General Municipal Law for procurement of professional services and competitive quotes. It will as outlined in the Corrective action Plan receive additional guidance from the Board of Education.

See
Note 1
Page 11

We thank your office for providing us these helpful recommendations.

Sincerely,



Alice Kendrick
Superintendent

cc: Board of Education

APPENDIX B

OSC COMMENT ON THE DISTRICT'S RESPONSE

Note 1

GML requires the Board to adopt written policies and procedures for the procurement of goods and services that are not subject to competitive bidding requirements, such as professional services and items that fall under bidding thresholds. Since the Board did not provide this guidance, it is not in compliance with GML.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials and employees who are involved in the procurement process.
- We reviewed the District's purchasing policy and procedures and evaluated its adequacy.
- We judgmentally selected 11 professional service contracts, based on vendor name and dollar amount, with no expectation that we would find more or fewer errors. We reviewed claim packets and other supporting documents to determine if the District sought competition and entered into written agreements.
- We judgmentally selected six purchases above the competitive bidding thresholds, based on vendor name and dollar amount, with no expectation of greater or lesser results. We reviewed claim packets and other supporting documents to determine if officials complied with GML.
- We judgmentally selected 25 purchases below the competitive bid threshold, based on vendor name and dollar amount (greater than \$2,000), with no expectation we would find more or fewer errors. We reviewed claim packets and other supporting documents to determine if officials sought competition or purchased from a government contract.

We conducted this performance audit in accordance with 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.

APPENDIX D

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