



Uniondale Union Free School District

Procurement

Report of Examination

Period Covered:

July 1, 2014 – December 31, 2015

2016M-195



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 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 Uniondale Union Free 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 Uniondale Union Free School District (District) is located in the Town of Hempstead, Nassau County. The District is governed by the Board of Education (Board), which is composed of five 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. The purchasing agent is responsible for reviewing and approving all purchase orders as well as soliciting and opening bids.

The District operates nine schools with approximately 6,950 students and 1,370 employees. The District's budgeted appropriations for the 2015-16 fiscal year were approximately \$175.4 million, funded primarily with real property taxes.

Objective

The objective of our audit was to assess the District's procurement procedures. Our audit addressed the following related question:

- Did the Board ensure that District officials purchased goods and services in compliance with General Municipal Law (GML) and the District's purchasing policy?

Scope and Methodology

We assessed the District's purchasing practices for the period July 1, 2014 through December 31, 2015.

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 B 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. District officials generally agreed with our recommendations and indicated they would take corrective action.

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

The objectives of a procurement process are to obtain services, materials, supplies and equipment of the desired quality, in the quantity needed, generally at the lowest price, and in compliance with applicable laws and Board requirements. The appropriate use of competition helps ensure that procurements are not influenced by favoritism, fraud or corruption, and that public funds are expended in the most efficient manner. Therefore, it is important that District officials seek competition when available.

GML requires advertising for competitive bids for purchase contracts that equal, or aggregate, to more than \$20,000 and for public works contracts that equal, or aggregate, to more than \$35,000.¹ GML also requires the Board to adopt a written procurement policy governing the purchase of goods and services that are not subject to competitive bidding requirements. This policy should indicate when District officials must obtain quotations, outline the procedures for determining which method will be used and provide for adequate documentation of the actions taken.

The Board generally ensured that District officials complied with GML and the District's procurement policy for purchases requiring quotes and purchases subject to competitive bidding. However, we found that District officials could improve their purchasing process by attaching sufficient supporting documentation to claims for purchases not subject to competitive bidding. In addition, officials should ensure that purchases are made only after the purchasing agent issues an approved purchase order. When sufficient supporting documentation is not available for review or purchase orders are executed after a purchase is made, there is an increased risk that unauthorized or inappropriate purchases could be made.

Written Quotes

The Board has adopted a purchasing policy for the procurement of goods and services below the bidding threshold. The policy requires District officials to obtain three written quotes for purchases in excess of \$500 and up to \$20,000 for purchase contracts and \$35,000 for public works contracts. Prior to a purchase order being approved, the department requesting the purchase must obtain written quotes or provide documentation if they are using alternative pricing such as a State or county contract or a cooperative bid. For contracts or cooperative bids, at a minimum, this documentation should show

¹ Procurements exempt from competitive bidding include purchases made using State and county contracts, emergency purchases, sole source purchases, professional services and insurance.

what contract is being used, the effective date of the contract, the item(s) being purchased and the price. In addition, all purchases require an approved purchase order issued by the purchasing agent prior to purchases being made.

During the period July 1, 2014 through December 31, 2015, we judgmentally² selected purchases made from 20 vendors totaling \$168,670. The purchase orders for eight of these purchases totaling \$85,417 indicated they were made from a government contract or cooperative bid or were an emergency purchase.³ Although the purchase orders referenced government contracts or cooperative bids, there was not sufficient information attached to the claims to allow for verifying that the items and pricing on the invoices matched the contracts or cooperative bids. District officials subsequently provided us with copies of the contracts or bids, which showed that the District generally obtained contract pricing for these purchases.

However, we noted an instance where the District purchased 51 jackets at \$94.50 each for a total of \$4,820 that were not included on the referenced county contract. Adequate documentation attached to the purchase order and comparison of item and price would have indicated that the item being purchased was not part of the county contract. For another \$3,530 purchase, officials did not have adequate support to show the District paid the hourly repair rate stated in the contract. Of the remaining 12 purchases totaling \$83,253 the District obtained at least three written quotes for 11 purchases, while the other purchase was made from a sole source vendor.

In addition, four purchase orders⁴ totaling \$27,355 were dated after the invoice dates, which means that these were confirming purchase orders. For example, one purchase order for printing services was dated October 26, 2015 but had a corresponding invoice from April 14, 2015, a total of 195 days earlier.

Without verifying items on a government contract or cooperative bid, the District has no assurance that the items being purchased and prices paid agree to what is listed on the contract or cooperative bid or, in some instances, that the items are part of the particular contract. Additionally, by placing orders for goods or services without a valid purchase order, District officials are committing funds without proper authorization.

² See Appendix B, Audit Methodology and Standards, for our sample selection methodology.

³ One of the purchases was for emergency repairs for a water main break.

⁴ We noted that one invoice was for an annual service contract dated July 1, 2014 with a purchase order date of July 17, 2014. These invoices are usually generated ahead of time, due to the nature of the service provided.

Competitive Bidding

GML generally requires competitive bidding for purchase contracts over \$20,000 and public works contracts over \$35,000 and these amounts are included in the District's Board-approved purchasing policy. Competitive bids must be publicly advertised and publicly opened at the scheduled place, date and time set forth in the notice to bidders. The District's purchasing policy states that individual sealed bids must be date stamped upon receipt and kept in a secure, locked location until the time of opening. The policy also requires at least two District employees to be present at each bid opening, including the purchasing agent. After being opened, it calls for all bids to be recorded and analyzed.

We randomly selected 11 vendors who provided goods or services to the District that were subject to competitive bidding. We determined whether District officials obtained competitive bids for these purchases and followed the required procedures for processing and analyzing the bids that were received. These vendors were paid a total of \$4.2 million for the 2014-15 fiscal year. The District obtained competitive bids for six vendors who were paid a combined total of \$3.3 million. Of the remaining five vendors totaling \$827,194 the purchases were appropriately made by using other government contracts. Except for minor discrepancies that we discussed with District officials, the District appropriately followed GML and their purchasing policy for making and processing purchases subject to competitive bidding.

Recommendations

District officials should:

1. Attach sufficient documentation to claims to ensure that they receive the correct items and pricing when purchasing goods and services from government contracts or cooperative bids.
2. Ensure that purchases are not made until the purchasing agent has issued an approved purchase order.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

UNIONDALE UNION FREE SCHOOL DISTRICT

933 GOODRICH STREET, UNIONDALE, NEW YORK 11553-2499

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July 7, 2016

Mr. Ira McCracken, Chief Examiner
Division of Local Government and School Accountability
Office of the New York State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

Dear Mr. McCracken:

Thank you and your representatives from the Office of the New York State Comptroller ("OSC") for the time and efforts recently spent at our District to help us manage our operations more efficiently and effectively, in order to provide accountability for tax dollars spent to support District operations. The District is pleased that a comprehensive audit by the OSC did not identify any instances of impropriety, waste, abuse or material weaknesses in internal control. The Board of Education is delighted that the OSC found that they "generally ensured that District officials complied with General Municipal Law, and the District's procurement policy for purchases requiring quotes and purchases subject to competitive bidding".

The District is appreciative of the recommendations made by the OSC to improve the purchasing process and offers the following response, which we respectfully request to also serve as the District's "Corrective Action Plan":

Recommendation 1: The District should attach sufficient documentation to the claim to ensure that they receive the correct items and pricing when purchasing goods and services from government contracts or cooperative bids.


District Response: We will discuss the OSC's specific findings with District officials responsible for procurement, and request that underlying policies and procedures be amended to either require sufficient documentation be attached to claims to ensure the District is receiving the correct items and pricing when purchasing goods and services from government contracts or cooperative bids, or when too voluminous, make reference as to where the documentation is maintained for ease of information and review. Furthermore, we will instruct the District's Claims Auditor to ensure the requisite documentation is either attached to the claim or incorporated by reference to a specific file location, as part of the ongoing audit process.

Recommendation 2: Purchases should not be made until the purchasing agent has issued an approved purchase order.

District Response: We will discuss the OSC's specific findings with District officials responsible for procurement, and request that current District policies and procedures which require an approved purchase order prior to purchase be strictly adhered to. In extenuating circumstances when a purchase is warranted prior to approval of a purchase order (ex. emergency repair), we will require a signed memorandum by the appropriate District official documenting the nature and extent of the circumstances for authorizing a purchase prior to completion of the purchase order. Furthermore, we will instruct the District's Claims Auditor to ensure such documentation accompanies any confirming purchase orders.

The Uniondale Union Free School District prides itself on maintaining sound internal accounting control, and appreciates your time and insights into improving our District's purchasing practices.

Respectfully submitted,



Dr. William K. Lloyd
Superintendent of Schools

Cc: Board of Education
Bancroft Burke

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials and employees to gain an understanding of the District's purchasing procedures.
- We reviewed the District's purchasing policy.
- We judgmentally selected 20 vendor claims to review for compliance with District policy in soliciting written quotes during our audit period. We excluded payments to professional associations, employee reimbursements and proprietary education-related expenditures from our population. To ensure we obtained purchases most likely to require quotations, we narrowed our population to vendors who received only a single payment. From this, we selected the 20 highest payments that were not subject to competitive bidding. This resulted in a total of 20 vendors who were paid a combined total of \$168,670.
- We used electronic cash disbursement data to determine which purchases made from vendors were subject to competitive bidding during the 2014-15 fiscal year. We reviewed the purchases for compliance with GML and District policy. We excluded payments to professional associations, employee reimbursements and proprietary education-related expenditures from our population. There were purchases made from 44 vendors totaling approximately \$13 million that were subject to competitive bidding. Using a random number generator, we selected 11 vendors who were paid a total of \$4.2 million during the 2014-15 fiscal year.

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 C

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