



Cold Spring Harbor Central School District Competitive Quotes

Report of Examination

Period Covered:

July 1, 2014 – May 31, 2016

2016M-320



Thomas P. DiNapoli

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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 Cold Spring Harbor Central School District, entitled Competitive Quotes. 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 recommendation 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 Cold Spring Harbor Central School District (District) is located in the Towns of Huntington and Oyster Bay in Suffolk and Nassau counties. The District is governed by the Board of Education (Board), which is composed of seven 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 Assistant Superintendent for Business, who is the purchasing agent, is responsible for reviewing and approving purchase orders.

The District operates four schools with 1,815 students and 514 employees. The District's expenditures for the 2015-16 fiscal year were \$63.1 million, which were funded primarily with real property taxes.

Objective

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

- Did District officials follow their procurement policy for obtaining quotes for purchases that were not subject to competitive bidding?

Scope and Methodology

We examined District purchases that were not subject to competitive bidding requirements for the period July 1, 2014 through May 31, 2016.

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 recommendation 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 recommendation and indicated they planned to initiate 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.

Competitive Quotes

An effective procurement process helps ensure that goods and services of the right quality, quantity and price are purchased in compliance with Board and legal requirements, without the influence of favoritism, extravagance or corruption. Therefore, it is important that District officials seek competition when available. General Municipal Law (GML) requires advertising for 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 \$35,000.¹ 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 quotes, outline the procedures for determining which method² will be used and provide for adequate documentation of the actions taken.

The Board has adopted a purchasing policy for the procurement of goods and services that are not subject to competitive bidding. The policy requires District officials to obtain a minimum of three written quotes for purchases in excess of \$5,000 but below the bidding thresholds. Prior to a purchase requisition being approved, the department requesting the purchase must obtain written quotes unless an exception applies, such as the purchase is being made from a State or county contract.

We examined 20 claims³ totaling \$269,495 to determine if District officials obtained competitive quotes in compliance with the District's purchasing policy. Although the Board generally ensured that District officials complied with the District's procurement policy for purchases requiring quotes, officials could improve their purchasing process by attaching sufficient supporting documentation to claims when purchases are made from a government contract.

The District used government contracts or cooperative bids for 15 purchases totaling \$186,479. Although the purchase orders referenced a contract or cooperative bid, sufficient information was

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

² When a procurement is not subject to bidding requirements, the law generally requires that the procurement policy provide that alternative proposals or quotes be obtained by use of written requests for proposals, written quotes, verbal quotes or any other method that furthers the purposes of the law.

³ See Appendix B, Audit Methodology and Standards, for our sample selection methodology.

not attached to the claims to verify 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, in one instance the District did not receive the correct government price for screening and coating wood floors. The government contract indicated a price of 19 cents per square foot, but the District paid 25 cents per square foot, which resulted in the District overpaying by a total of \$1,949. District officials told us they have contacted the vendor to obtain a credit.

In another instance, District officials approved and paid a purchase order for bathroom partitions totaling \$6,545 with an incorrect government contract reference. Although we were subsequently given the correct government contract, the invoice, which also did not reference the government contract, was not sufficiently itemized to determine if the amount paid was in accordance with the terms of the contract.

Without verifying items on a government contract, the District has no assurance that the items being purchased agree to what is listed on the contract and that the District is receiving the correct price.

Recommendation

1. District officials should attach sufficient documentation to claims to ensure that they receive the correct items and pricing when purchasing goods and services from government contracts and that the referenced contract is correct.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Cold Spring Harbor Central School District

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November 3, 2016

Ira McCracken, Chief Examiner
Division of Local Government
and School Accountability
Office of the State Comptroller
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Albany, NY 12236

**Re: Audit Report Number 2016M-320
Cold Spring Harbor Central School District**

Dear Mr. McCracken:

Please find enclosed our response letter and corrective action plan to the Office of the State Comptroller's audit.

Sincerely,

William Bernh rd

WB/edr

Enclosure



Gold Spring Harbor Central School District

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RESPONSE LETTER AND CORRECTIVE ACTION PLAN

TO THE OFFICE OF THE STATE COMPTROLLERS' AUDIT

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AUDIT REPORT TITLE: Competitive Quotations

PERIOD COVERED: July 1, 2014 to May 31, 2016

AUDIT REPORT NUMBER: 2016M-320

NOVEMBER 2016

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT

NYS OFFICE OF THE COMPTROLLER AUDIT

AUDIT RESPONSE LETTER AND CORRECTIVE ACTION PLAN

Combined Response

As authorized in the OSC publication "Responding to an OSC Audit Report," the Cold Spring Harbor Board of Education has elected to combine the Audit Response Letter and the Corrective Action Plan into one document.

Acknowledgement of Audit Findings

The Cold Spring Harbor Board of Education would like to acknowledge the efforts of the New York State Comptroller's Audit team for their thoroughness and professionalism during the audit review and thank them for their efforts on behalf of the taxpayers of the Cold Spring Harbor. We have reviewed the report and concur with the findings. Our responses below will outline our corrective action plan to each report recommendation.

Audit Recommendations

The OSC report contained one recommendation.

- 1. District Officials should attach sufficient documentation to claims to ensure that they received the correct items and pricing when purchasing goods and services from government contracts and that the referenced contract is correct.***

Corrective Action Plan: Procedures will be implemented immediately to ensure that sufficient documentation is included in the purchase requisition documents. All staff, who have purchasing responsibilities with the school district, will be notified that approval of purchase requisitions that utilize pricing from government contracts, will be contingent upon the attachment of pricing information. This will be reviewed by the Purchasing Agent and a determination will be made if the appropriate documentation is provided. In addition, the school district's independent claims auditor will be advised of this requirement before any claims or warrants are certified for payment.

Amelia Brogan
President, Board of Education

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 paid during our audit period to review for compliance with District policy in soliciting written quotes. We excluded payments to professional associations, employee reimbursements and proprietary, education-related expenditures from our population. We selected the 10 highest paid vendors from the 2014-15 and 2015-16 fiscal years that were not subject to competitive bidding. We then chose the highest dollar amount purchase orders for these vendors.

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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DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

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