



Oxford Academy and Central School District

Transportation Department Purchase and
Service Contracts

2023M-2 | June 2023

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Report Highlights

Oxford Academy and Central School District

Audit Objective

Determine whether Oxford Academy and Central School District (District) officials procured and monitored transportation contracts in the best interest of taxpayers.

Key Findings

District officials did not always ensure transportation contracts were procured and monitored in the best interest of taxpayers.

District officials did not:

- Comply with competitive bidding requirements and/or the District’s procurement policy for 33 transportation contracts totaling \$322,056 for the 35 transportation contracts totaling \$552,659.
- Monitor District fuel credit card purchases resulting in 155 charges totaling \$16,258 that did not comply with District procedures.
- Review vehicle repair invoices and parts ordered by the vehicle maintenance and repair vendor. Vehicle repair invoices had 22 charges, totaling \$1,891, that did not have enough detail to verify that the parts ordered were used for District vehicles.

Key Recommendations

- Comply with competitive bidding requirements and the District’s procurement policy.
- Monitor and enforce fuel credit card procedures.
- Periodically review work performed by outside vendors on the District’s behalf.

District officials agreed with our recommendations and have initiated corrective action.

Background

The District serves the Towns of Coventry, McDonough, Norwich, Oxford, Pharsalia, Preston and Smithville in Chenango County.

The District is governed by an elected five-member Board of Education (Board) responsible for the general management and control of financial and educational affairs.

The Superintendent of Schools (Superintendent) is the chief executive officer who, along with other administrative staff, is responsible for the District’s day-to-day management under the Board’s direction. The Superintendent and Business Manager are responsible for overseeing the District’s procurement process.

The Head Bus Driver oversees the Transportation Department’s day-to-day operations and is responsible for the Department’s purchasing and the District’s fuel controls.

Quick Facts

| | |
|--|-----------|
| Transportation Disbursements during Audit Period | \$727,009 |
| Vehicles in Fleet | 24 |

Audit Period

July 1, 2021 – September 30, 2022

Transportation Procurement

How Should School District Officials Procure Goods and Services?

School district officials should comply with New York State General Municipal Law (GML) Section 103 that generally requires competitive bids for purchase contracts in excess of \$20,000 and contracts for public work in excess of \$35,000. School district officials must determine whether individual or repetitive purchases (e.g., gasoline or diesel fuel) will exceed the dollar threshold for purchase contracts when aggregated over a 12-month period. In lieu of soliciting competitive bids, school district officials can make purchases using contracts awarded by the New York State Office of General Services (State contracts). School district officials can benefit from using this competitive process already undertaken by the State.

School district officials should also comply with New York State GML Section 104-b that requires officials to develop a written procurement policy that provides guidelines for school district staff to use to determine when they should use alternative proposals, such as a request for proposals (RFPs) process or quotations, for purchases not subject to competitive bidding. The policy should also require school district staff to maintain adequate documentation for all actions taken for each procurement method used such as the number of alternative proposals and the frequency they should be issued.

School district officials do not need to continually competitively bid for extensions of a contract for maintenance of school buses if the original contracts were originally competitively bid.¹ Nonetheless, as a best practice, school district officials should periodically review the extended annual contracts for bus maintenance and repairs to determine whether the terms of the extension continue to benefit the school district and its taxpayers. By completing a review, such as performing a cost-benefit analysis for example, school district officials have greater assurance that the option selected is the most prudent and economical use of public money, which helps guard against favoritism, improvidence, extravagance, fraud and abuse.

District Officials Did Not Seek Competition For Transportation Purchase and Service Contracts

District officials did not ensure certain transportation purchase and service contracts were awarded in accordance with GML Section 103 or the District's procurement policy and established procedures. We examined 35 transportation purchase and service contracts, totaling \$552,659, and determined two buses totaling \$230,603 were purchased using the State contract. The other 33 transportation contracts totaling \$322,056 were not properly procured and monitored in the best interest of taxpayers as follows:

The other 33 transportation contracts totaling \$322,056 were not properly procured. ...

¹ New York State Education Law Section 305

- District officials did not competitively bid for gasoline, diesel fuel and tire purchases totaling \$100,330, even though aggregate purchases exceeded \$20,000 during a 12-month period.
- District officials used the same fuel credit card vendor² since 2010. As a result, fuel credit card purchases totaling \$77,205 were not competitively procured. After discussing the lack of competition with officials, they began to use a State contract fuel credit card vendor to purchase fuel.
- The District purchased tires totaling \$23,125 without competition. The Head Bus Driver stated that additional bus runs resulted in tire purchases exceeding the amount he estimated would be spent on tires and the bidding threshold.

When determining whether the dollar threshold will be exceeded, officials must consider the aggregate amount reasonably expected to be spent on the items each year and the circumstances they may encounter during the school year. If the dollar amount spent each year is consistently close to the statutory threshold, officials should consider bidding for these items.

Furthermore, officials used a competitive bidding process to contract with a vendor for bus and vehicle maintenance and repair services in 2014 and have annually extended and renewed the original agreement. Officials did not use competition or perform a cost-benefit analysis to determine whether the contract extensions were the most economical way to service the District's vehicles. Although there was no legal obligation to do so, using competition and preparing a cost-benefit analysis before a contract is extended would help ensure the extension was cost effective and in the best interest of taxpayers.

Finally, District officials did not comply with the District's procurement policy because they could not provide documentation that they obtained the required verbal or written quotes for 29 transportation purchases totaling \$42,441 (Figure 1). The items and services purchased included a cloud-computer storage subscription, maintenance of the District's security system, raincoats for bus drivers, diesel exhaust fluid, drug testing and annual physicals.

Figure 1: Purchases That Did Not Follow District Procedures

| Purchase Threshold | Requirements | Number of Purchases | Total Amount |
|--------------------|----------------------|---------------------|-----------------|
| Less than \$1,000 | Three Verbal Quotes | 20 | \$6,384 |
| \$1,000 - \$19,999 | Three Written Quotes | 9 | \$36,057 |
| Totals | | 29 | \$42,441 |

² The vendor provides credit cards to be used to purchase fuel at any gas station.

The Head Bus Driver stated that he was not aware of the District’s procurement policy or its requirements and instead, selected the same vendors as previous years because that was how their predecessor selected vendors. We brought this to the attention of the Superintendent and Business Manager as it is their responsibility to ensure that all department heads are aware of the roles and responsibilities of their positions. They agreed to review and update their training for department heads and supervisors.

When District officials do not ensure employees are following all applicable laws and District policies, or do not periodically review and assess existing contracts before renewing them, they are unable to assure taxpayers that the District is procuring goods and services in the most prudent and economical manner.

How Should School District Officials Monitor Purchase and Service Contracts?

School district officials should monitor their purchase and service contracts to ensure that they are being used for school district purposes only. To help ensure that fuel is used for its intended purpose and is properly accounted for, a school board should ensure written policies and procedures are in place that address:

- Who is authorized to use the fuel credit cards,
- How the cards will be safeguarded, and
- What documentation is required to support each purchase.

Each authorized user should acknowledge they have reviewed the policy. Procedures for monitoring and assessing fuel credit card usage and the reasonableness of the charges should also be in place to promote responsibility, such as periodically reviewing and reconciling the fuel credit purchases to statements for all fuel types. Any material discrepancies disclosed in the monitoring and assessing process should be investigated and resolved.

Additionally, school district officials should review and verify that goods ordered or used by third- party vendors are for school district-owned assets. For example, vendor invoices should have enough detail to be able to identify specific vehicle parts, such as part number, so that officials can confirm that the part is compatible with the vehicle being repaired. School district buildings, such as bus garages that are used by non-district personnel, should be monitored to ensure they are only used for school district purposes.

District Officials Did Not Adequately Monitor Fuel Credit Card Use and Purchases

District officials did not establish a written policy or procedures for the use of fuel credit cards. Instead, the Head Bus Driver established the following practices:

District officials did not establish a written policy or procedures for the use of fuel credit cards.

-
- Each active vehicle is assigned a fuel credit card,
 - Each transportation or maintenance employee that uses a fuel credit card is assigned a unique personal identification number (PIN) to use, and
 - Employees that use a fuel credit card must turn in the signed fuel receipt to the transportation secretary.

In addition, the transportation secretary was required to reconcile fuel credit card receipts to each card's monthly statement. However, she stopped completing the reconciliations in March 2021, when she stopped receiving the statements. She did not follow up to learn why she no longer received the statements or try to obtain them.

Eleven of the 34 enabled fuel credit card users were not current transportation or maintenance employees and their old fuel credit cards were not canceled or destroyed. Ten of these users did not have charges associated with their PIN during the period we reviewed, and one current coach had a charge for transporting students to a sporting event. District officials did not add these users to the new fuel credit card vendor account and all previous fuel credit cards were shredded. Our review of a sample of 374 fuel charges totaling \$44,125 identified deficiencies with 155 charges totaling \$16,258:

- 145 fuel credit card charges for \$15,480 had receipts that were not signed by an authorized user.
- 10 fuel credit card charges for \$778 were not supported by receipts.

The Head Bus Driver told us drivers using the fuel credit cards forget to sign the receipts or get receipts and lose them. However, to confirm that all fuel credit card charges were for District purposes, employees should be providing signed receipts to be reconciled to the fuel credit card statements. We observed that signs had been added to the common area of the bus garage reiterating the expectations for drivers using the fuel credit cards and that a reconciliation of the fuel credit card statement and fuel receipts was completed.

District Officials Did Not Adequately Monitor the Transportation Contract Vendor

The District's vehicle maintenance and repair vendor performs regular and requested maintenance on District vehicles in the District's bus garage, orders needed parts and supplies for repairs, and charges the District for the parts, supplies and labor. Although District officials did not authorize the vendor to use the District bus garage to perform repairs on non-District vehicles, the vendor did. After we discussed the vendor's use of the garage with officials, they instructed the vendor to stop using the District's garage to repair non-District vehicles.

Furthermore, officials did not review the vendor's invoices to ensure the ordered parts were only being used for District purposes.

Out of 12 total invoices for parts and labor totaling \$14,763, we reviewed six invoices containing 55 charges for parts totaling \$5,280 and found 22 of these charges totaling \$1,891 did not have enough detail to identify the part purchased. Therefore, District officials and we were not able to determine whether these parts were compatible with or used on District vehicles. When District officials do not periodically review purchases made by contracted vendors, there is a greater chance that District money could be misused and spent on non-District vehicle parts.

What Do We Recommend?

The Board and District officials should:

1. Develop and adopt a fuel credit card policy that establishes who is authorized to use the fuel cards, procedures to safeguard and assign responsibility for the use of the cards and the documentation required to support each purchase.

District officials should:

2. Ensure compliance with competitive bidding and District procurement policy requirements.
3. Ensure all required documentation (quotes, bids, receipts) is obtained and retained when procuring goods and/or services.
4. Periodically review, assess and update reoccurring District contracts.
5. Continue to monitor and enforce procedures over fuel credit card use such as requiring signed receipts be reconciled to the fuel credit card statements to ensure fuel use is reasonable and investigate any discrepancies.
6. Periodically review vehicle repair and maintenance work performed and parts ordered by outside vendors on the District's behalf.

...[O]fficials did not review the vendor's invoices to ensure the ordered parts were only being used for District purposes.

Appendix A: Response From District Officials

Oxford Academy and Central School

PO Box 192, Oxford, New York 13830 • 607-843-2025 • FAX 607-843-3241

May 9, 2023



JOHN T. HILLIS,
Superintendent
ERIN GRAMSTAD,
School Business Manager

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

Dear Ann Singer:

This letter is an acknowledgment of the findings resulting from an audit conducted by the Office of the New York State Comptroller at Oxford Academy and Central School District beginning in August of 2022 and concluding in December of 2022.

This letter will also serve as a corrective action plan.

Oxford Academy has no issues with the findings or the recommendations of the audit. In fact, the auditors took time to communicate their recommendations to us as their work progressed and Oxford Academy made modifications to its procedures immediately.

Recommendations:

1. Develop and adopt a fuel credit card policy.

Implementation Plan of Action:

The Following are updated procedure for use of gas cards at Oxford Academy and Central Schools. (Updated 2/17/23)

- 1.) Use only the [REDACTED] card associated with that vehicle and refuel only that vehicle.
- 2.) Use only your Pin #.
- 3.) Enter accurate odometer readings.
- 4.) Sign the receipt.
- 5.) Put Vehicle # on Receipt.
- 6.) When refueling Unleaded Vehicles, use regular (87 Octane).
- 7.) Only B & G personnel may fill fuel can and need note the use.
- 8.) The [REDACTED] card is good at any location.
- 9.) Place the receipt in the envelope at the bus garage each time you refuel.
- 10.) Put fuel additive in every time a diesel bus is filled.
- 11.) Refuel at the end of a trip if less than $\frac{3}{4}$ tank of fuel.

12.) When refueling at an odd time (off clock) or non-local location, you must note that information on the receipt and the reason.

Occasional Drivers

There is a Pin # for occasional drivers. They will be assigned that number before their trip and they will sign a receipt with vehicle #.

Each month the billing statement will be reconciled with the receipts.

Each transaction will be checked and balanced from the statement to the receipts, vehicle, driver, and date.

Implementation Date: 2/17/23

2. Ensure compliance with competitive bidding and District policy requirements.

Implementation Plan of Action:

The district utilizes DCMO BOCES cooperative purchasing to ensure competitive bidding and district procurement policies are adhered to. Also, with new leadership in both the transportation department and business office, review of purchases are being more closely monitored.

Implementation Date: 1/1/23

3. Ensure all required documentation is obtained and retained when procuring goods and/or services.

Implementation Plan of Action:

A review of the policies and procedures has been conducted and all parties involved in the creation of purchase orders have been briefed on expectations going forward. Quotes or bids are a requirement prior to the creation of a purchase order and receipts are a requirement to process payment.

Implementation Date: 1/1/23

4. Periodically review, assess and update reoccurring District contracts.

Implementation Plan of Action:

The district took immediate action with recurring contracts and are continuously reviewing the financial impacts both beneficial and detrimental through comparative analysis and request for proposals.

Implementation Date: 1/1/23

5. Continue to monitor and enforce procedures over fuel and credit card use such as requiring signed receipts be reconciled to the fuel credit card statements to ensure fuel use is reasonable and investigate any discrepancies.

Implementation Plan of Action:

With a better understanding of policies and procedures, the transportation supervisor conducts a monthly review of the fuel card statements, ensuring all charges have matching receipts and signing authorization on the statement prior to submitting to the business office for payment processing. Discrepancies are addressed monthly.

Implementation Date: 2/17/23

6. Periodically review vehicle repair and maintenance work performed and parts ordered by outside vendors on the District's behalf.

Implementation Plan of Action:

The monthly review is also occurring with vehicle repair invoices to ensure all repairs and parts ordered are reasonable and appropriate to the fleet of Oxford Academy from both contract vendors, as well as outside vendors.

Implementation Date: 2/17/23

Sincerely,

John Hillis
Superintendent of Schools

Appendix B: Audit Methodology and Standards

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 Board policies to gain an understanding of the District's procurement process and fuel controls.
- We obtained vendor payment history reports for the 2021-22 and 2022-23 school years and sorted the reports for Transportation Department account codes and fuel purchases. We then aggregated the total purchases from July 1, 2021 through June 30, 2022 to include a complete 12-month period, with a total value of \$727,009 of transportation-related disbursements into categories.
 - We selected all transportation contracts that exceeded competitive bidding thresholds during this time and identified 18 purchases totaling \$538,010. We determined six of these purchases totaling \$510,218 should have been procured competitively and reviewed whether District officials had sought competition.
 - We selected the remaining 12 purchases totaling \$27,792 from our above sample. We then selected all six purchases of more than \$1,000 but below competitive bidding thresholds totaling \$10,277, all three credit card purchases between \$200 and \$19,999 during the audit period totaling \$2,111, and 10 purchases between \$200 and \$999 from the audit period totaling \$3,743 using a random number generator. Two credit card purchases totaling \$1,482 were identified as travel expenditures and exempt from competition and were removed from further testing. We reviewed the remaining 29 purchases totaling \$42,441 to determine whether District officials had procured these in accordance with their procurement policy.
- We reviewed all active users on the District's fuel credit card account to determine whether all users were current transportation or maintenance employees. We selected a random sample of four months using a random number generator out of the 15 months in our audit period and compared the itemized receipts to the fuel credit card statements to determine whether all charges were supported by receipts, receipts were signed and charges occurred during normal working hours.
- We selected a sample of six out of 12 vehicle repair invoices with 55 charges for parts totaling \$5,280. We selected the three invoices with the most parts charged and the remaining three were selected using a random number generator. We reviewed these invoices' parts and compared them to four

different parts retailers to identify them based on part number and determine whether the parts were compatible with District vehicles.

- We selected four of the eight bus garage cameras to review. Two cameras were selected that had views of each side of the garage bays and the other two were selected that had views of the garage doors that lead to the bays. We then reviewed the weekends from the earliest to the latest available footage to identify any non-District vehicles that were being repaired.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

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.

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

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/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/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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