



Roosevelt Union Free School District Competitive Procurement

Report of Examination

Period Covered:

July 1, 2014 – June 30, 2015

2015M-234



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2015

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 Roosevelt Union Free School District, entitled Competitive 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 Roosevelt Union Free School District (District) is located in the Town of Hempstead in 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 (Superintendent) 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 reviews and approves purchase orders with the help of a purchasing clerk.

The District operates five schools with approximately 3,400 students and 500 employees. The District's budgeted appropriations for the 2014-15 fiscal year were \$92.8 million, which were funded primarily with State aid and real property taxes.

Objective

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

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

Scope and Methodology

We examined the District's internal controls over purchases that were not subject to competitive bidding requirements for the period July 1, 2014 through June 30, 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 have begun to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the 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 Procurement

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 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 has adopted a purchasing policy for the procurement of goods and services. In addition, the District's written procedure manual stipulates a minimum of three written quotes for purchases between \$1,500 and \$19,999. District procedures require staff to electronically submit requisitions to a building principal or department head for approval. The written quotes and requisitions are then forwarded to the purchasing clerk. The purchasing clerk reviews the approved requisitions and ensures that the required quotes are attached or, if applicable, references are made to State or County contracts, prior to generating a purchase order. The purchasing agent then prints and approves purchase orders. The District's procedure explicitly states that it does not permit preparation of a purchase order after a purchase has been made, referred to as a confirming purchase order, except for emergency purchases.

During our audit period, the District made purchases between \$1,500 and \$19,999 from 148 vendors² totaling \$824,117. We randomly selected purchases made from 24 vendors totaling \$119,741 and found that District officials did not obtain competitive quotations for purchases made from nine vendors totaling \$35,214. In addition, five purchase orders totaling \$30,191 were dated after the date of the invoices, resulting in confirming purchase orders. For example, one purchase order for heating, ventilation and air conditioning repair was dated June 30, 2014, but had corresponding invoices from

¹ Purchases made through State or County contracts need not be competitively bid.

² We excluded from our population payments to professional associations, employee reimbursements and proprietary education-related expenses.

February 2014, March 2014, April 2014, May 2014 and June 2014. By placing orders for goods or services without a valid purchase order, District officials are committing the District's funds without proper authorization. The remaining 15 vendors in our sample included nine purchases made under a State or County contract and six purchases in which the District took adequate measures to solicit quotations.

Because District officials did not consistently adhere to established policies and procedures and ensure that goods and services were acquired through a competitive process, they do not have assurance that the District is receiving the best price for items purchased.

Recommendations

1. The Board should ensure that District officials use competitive methods when procuring goods and services in accordance with GML and the District's purchasing policy.
2. District officials should ensure that purchases are not made until the purchasing agent has issued an approved purchased order.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Administrative Offices: 240 Denton Place, Roosevelt, NY 11575. Tel: 516-345-7021. Fax: 516-345-7320

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Robert Summerville, President
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Alfred T. Taylor, Trustee

Interim Superintendent of Schools

Ms. Marnie Hazelton

November 18, 2015

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788

RE: Roosevelt UFSD Response to the Competitive Quotations Report of Examination

Dear Mr. McCracken:

The Roosevelt Union Free School District thanks the Office of the State Comptroller for the efforts expended conducting an examination of the internal controls of the District. By this letter the District is both responding to the Report of Examination and providing its Corrective Action Plan associated with the recommendations contained therein. Attached is the District's Corrective Action Plan in response to the following audit report issued by your office:

- **Competitive Quotations - 2015M-234**

I am sure that you will agree the District's financial management and implementation of internal controls continue to improve and our Business Operations are more efficient. The fact that your audit resulted in no findings of operational inproprieties, fraud, waste or abuse attests to that.

I appreciate your staffs' constructive comments and the opportunity for us to outline our specific plan in response to the recommendations made by your office.

Sincerely,

Ms. Marnie Hazelton
Interim Superintendent of Schools

cc: Roosevelt Board of Education
Attachment

Mission: The mission of the Roosevelt Union Free School District is to educate the whole child to excel, thereby ensuring achievement for all. "Failure is Not an Option!"

Unit Name: ROOSEVELT UNION FREE SCHOOL DISTRICT
Audit Report Title: Office of the State Comptroller Audit:
Competitive Quotations 2015M-234
Audit Period: July 1, 2014 - June 30, 2015

CORRECTIVE ACTION PLAN

Recommendation #1:

The Board should ensure that District officials use competitive methods when procuring goods and services in accordance with GML and the District's purchasing policy.

Implementation Plan of Action(s):

The District will, and has fully implemented the process of utilizing competitive methods for procuring goods in accordance with GML. The District also ensures that every purchase below GML purchasing threshold is in accordance with the District's policy. Orders submitted without the required three (3) quotations are returned to the requisitioner for the required support, and not processed. Orders are only processed when it is in accordance with District purchasing policy.

Implementation Date:

September 2, 2015

Person Responsible for Implementation:

Board of Education, Audit Committee, Assistant Superintendent for Business, Purchasing Agent

Recommendation #2:

District officials should ensure that purchases are not made until the purchasing agent has issued an approved purchase order.

Implementation Plan of Action(s):

The District will ensure that purchases are not made until the purchasing agent has issued an approved purchase order. Vendors are sent letters informing them that orders billed without an approved purchase order will not be honored. To date, the number of purchases without an approved purchase order has declined.

Implementation Date:

Complete by December 31, 2015

Person Responsible for Implementation:

Assistant Superintendent for Business, Purchasing Agent

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to review internal controls over the District's procurement process for the period July 1, 2014 through June 30, 2015. To achieve our audit objective and obtain valid evidence, we performed the following audit procedures:

- We interviewed District officials and employees to gain an understanding of the District's purchasing procedures.
- We reviewed District policies and procedures pertaining to purchasing.
- We used electronic cash disbursement data to determine the population of vendors who had total purchases between \$1,500 and \$19,999. We selected a random sample of 24 vendors from within our population. We then selected the purchase order with the highest dollar value for each vendor. These 24 purchase orders totaled \$119,741.
- We reviewed each purchase order to determine if District officials obtained three written quotations as required by the District's procedure.
- We reviewed the date of the purchase order and the date(s) on the corresponding vendor invoices to determine if the purchase orders were issued before the date listed on the invoices.

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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