



Hamilton-Fulton- Montgomery Board of Cooperative Educational Services

Procurement

Report of Examination

Period Covered:

July 1, 2014 — August 31, 2015

2016M-43



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of BOCES Officials	3
PROCUREMENT	4
APPENDIX A Response From BOCES Officials	7
APPENDIX B Audit Methodology and Standards	9
APPENDIX C How to Obtain Additional Copies of the Report	10
APPENDIX D Local Regional Office Listing	11

State of New York

Office of the State Comptroller

Division of Local Government and School Accountability

April 2016

Dear Board of Cooperative Educational Services (BOCES) Officials:

A top priority of the Office of the State Comptroller is to help BOCES officials manage BOCES resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support BOCES operations. The Comptroller oversees the fiscal affairs of BOCES statewide, as well as BOCES' 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 BOCES operations and Board of Education governance. Audits also can identify strategies to reduce BOCES costs and to strengthen controls intended to safeguard BOCES assets.

Following is a report of our audit of the Hamilton-Fulton-Montgomery BOCES, 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 are a resource for BOCES 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 Hamilton-Fulton-Montgomery Board of Cooperative Educational Services (BOCES) is an association of 15 component school districts. BOCES is governed by a seven-member Board of Education (Board) elected by the boards of the component districts. The Board is responsible for the general management and control of BOCES' financial and educational affairs. The District Superintendent is BOCES' chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of BOCES and for regional educational planning and coordination.

According to statute, a district superintendent is an employee of both the appointing BOCES and the New York State Education Department. As such, the District Superintendent also serves as a representative for the New York State Commissioner of Education.

Combined, the component districts educate more than 15,600 students in Hamilton, Fulton and Montgomery counties. BOCES delivers approximately 100 educational and administrative services to its 15 component school districts and employs approximately 740 staff members. BOCES' budgeted appropriations for the 2015-16 fiscal year total \$41.4 million. These were funded primarily by charges to school districts for services and State and federal grants and aid.

Objective

The objective of our audit was to evaluate BOCES' procurement. Our audit addressed the following related question:

- Did the Board ensure that goods and services were procured in accordance with BOCES' adopted procurement policy and applicable laws?

Scope and Methodology

We examined BOCES' purchasing process for the period July 1, 2014 through August 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 BOCES
Officials**

The results of our audit have been discussed with BOCES officials, and their comments, which appear in Appendix A, have been considered in preparing this report.

Procurement

General Municipal Law (GML) requires competitive bidding for purchases and public work contracts in excess of established dollar limits unless specifically exempted by GML.¹ GML also requires that BOCES officials adopt written policies and procedures governing procurement for goods and services not subject to the competitive bidding requirements. One of the Board's responsibilities is to establish, implement, monitor and enforce compliance with its procurement policy. This helps ensure that BOCES obtains goods and services of the required quantity and quality at competitive prices and protects against favoritism, extravagance, fraud and corruption. These goals are achieved by purchasing goods and services in compliance with GML and the BOCES' procurement policy.

The Board-appointed purchasing official is responsible for reviewing and approving all purchases. The procurement policy requires the purchasing official to ensure that purchases are in compliance with GML and BOCES' procurement policy. The policy requires the use of written purchase orders² and requires the purchasing officer to ensure all oral and written quotes are attached to the purchase order prior to approving the purchase. When bids are required, the purchasing official is required to ensure that the competitive bidding process is in compliance with GML.

BOCES officials established effective procedures that ensured purchases complied with GML and BOCES' purchasing policy. We commend BOCES officials for complying with GML and their purchasing policy when making purchases that required competitive bidding and purchases not subject to competitive bidding that required written or verbal quotes.

Competitive Bidding – GML requires that purchase and public work contracts in excess of \$20,000 and \$35,000, respectively, during a fiscal year be publicly advertised for bids and awarded to the lowest responsible bidder. In lieu of advertising for bids, BOCES officials can make purchases using State contracts awarded by the Office of General Services (OGS) or, for certain goods or services, contracts

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

² A purchase order details the requisition and approval of the purchase and the exact merchandise or services to be provided by the vendor. It may also specify payment terms, delivery dates, item identification, quantities, shipping terms and any other obligations and conditions.

bid by other governments. Purchases of like items that aggregate to competitive bidding thresholds during a fiscal year also must be publicly bid.

We judgmentally selected 10 vendors which were each paid over \$20,000, and \$320,873 in total, during fiscal year 2014-15. We reviewed all purchases associated with those payments to determine if they were made in accordance with GML and applicable BOCES policies, properly approved and for valid BOCES purposes and if the goods and services were received by BOCES. The purchases were as follows:

- BOCES made multiple purchases of computers and other related IT equipment from four vendors totaling \$102,150. All purchases were made using the State contract.
- BOCES purchased various multimedia computer equipment totaling \$20,428. This purchase was piggybacked off of a county bid. BOCES also purchased various educational supplies totaling \$20,217 and made these purchases by piggybacking off another BOCES bid.
- BOCES entered into service/support agreements with three vendors totaling \$134,967. These were professional service contracts and as such were exempt from the competitive bid requirements.
- BOCES made various purchases of parts and supplies for its Transportation Department from one vendor totaling \$43,111. No bids were solicited because there were no individual or aggregate purchases that exceeded the competitive bidding thresholds.

We found that BOCES officials made purchases after obtaining the necessary approvals and that the purchases were for valid BOCES purposes, were received and were generally made using State contracts and contracts bid by other governments.³

Procurement Policy – GML requires the Board to adopt a procurement policy for purchasing goods and services that are not required to be competitively bid and to review and update the policy annually. In lieu of soliciting quotes, BOCES officials can make purchases using State contracts awarded by OGS or, for certain goods or services, contracts bid by other governments. BOCES' purchasing policy is

³ Purchases made from six vendors were made using the State or local contracts.

reviewed annually and includes procedures that department heads are required to follow when making purchases that are not subject to competitive bidding. The policy requires three verbal quotes from vendors for purchases between \$1 and \$2,999, and three written quotes for purchases between \$3,000 and \$19,999. The policy also requires three verbal quotes from vendors for public work contracts between \$1 and \$19,999, and three written quotes for public work contracts between \$20,000 and \$34,999.

We judgmentally selected and reviewed 40 purchases⁴ totaling \$209,530 to ensure that purchases were made in accordance with BOCES' policy requiring either written or verbal quotations be obtained, properly approved, for valid BOCES purposes and received. We found BOCES officials made purchases after obtaining the necessary approvals, purchases were for valid BOCES purposes, goods or services were received and, if applicable, the appropriate number of oral or verbal quotes were obtained as required by the purchasing policy.

We commend BOCES officials for ensuring goods and services were procured in accordance with the procurement policy and GML.

⁴ Twenty purchases totaling \$28,875 which required oral quotes and 20 purchases totaling \$180,655 which required written quotes

APPENDIX A

RESPONSE FROM BOCES OFFICIALS

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



BOARD OF COOPERATIVE EDUCATIONAL SERVICES
2755 State Highway 67, Johnstown, NY 12095

518-736-4300 • FAX 518-736-4301

Dr. Patrick Michel
District Superintendent
Chief Operating Officer

(518) 736-4300

FAX: (518) 736-4301

pmichel@hfmboces.org

Dr. Lorraine Hohenforst

Deputy Superintendent

(518) 736-4305

FAX: (518) 736-4301

Lhohenforst@hfmboces.org

Kwame Boakye-Yiadom
Associate Superintendent
for Business

(518) 736-4310

FAX: (518) 736-4301

kboakye-yiadom@hfmboces.org

March 31, 2016

State of New York
Office of the State Comptroller
Division of Local Government
and School Accountability

**Re: Response to Hamilton Fulton Montgomery BOCES Procurement
Examination # 2016M-43**

Dear Office of the State Comptroller:

We agree with the report issued by Office of the State Comptroller summarizing your examination of Hamilton Fulton Montgomery Board of Cooperative Educational Services procurement processes from July 1, 2014 to August 31, 2015. Furthermore, we are grateful for your acknowledgement that no changes are needed or necessary at this time.

On behalf of the Board of Cooperative Educational Services, the District Superintendent and our entire Business Office staff, accept our thanks for conducting the examination and validating our current procurement processes.

Respectfully submitted,

Kwame Boakye-Yiadom
Associate Supt for Business

Cc:
District Superintendent
Clerk of the BOCES
HFM BOCES Business Office

Board Members

James Beirlein – Northville

Dr. Harry Brooks – Broadalbin-Perth

David Edwards – Mayfield

Joanne Freeman – Johnstown

Jean LaPorta – Gloversville

Lee Quackenbush – OESJ

Allan Turnbull – Fonda-Fultonville

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed BOCES staff to gain an understanding of the purchasing process and reviewed BOCES' purchasing policies and procedures.
- We obtained a check disbursement list and traced the beginning and ending check numbers to the canceled checks. We traced gaps in check numbers to the voided checks to verify our population for sample selection.
- We judgmentally selected 10 vendors whose total payments for goods or services during fiscal year 2014-15 were subject to competitive bidding by summarizing the check disbursement file by vendor payments. We then determined if the purchases were properly approved, received and for valid BOCES purposes. We also determined if the purchases were made in compliance with statutory bidding requirements.
- We judgmentally selected 40 purchase orders that required written or verbal quotes. We reviewed purchase order packets and State and other government contracts and interviewed BOCES officials and employees to determine if BOCES used competitive quotations when necessary. We then determined if the purchases were properly approved, received and for valid BOCES purposes. We also determined if the purchases were made in compliance with the requirements of BOCES' procurement policy.

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

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX D

OFFICE OF THE STATE COMPTROLLER

DIVISION OF LOCAL GOVERNMENT

AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller

Gabriel F. Deyo, Deputy Comptroller

Tracey Hitchen Boyd, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tennet Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313