

OFFICE OF THE NEW YORK STATE COMPTROLLER



DIVISION OF LOCAL GOVERNMENT
& SCHOOL ACCOUNTABILITY

Longwood Central School District

Purchasing

Report of Examination

Period Covered:

July 1, 2014 – September 30, 2015

2016M-16



Thomas P. DiNapoli

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State of New York

Office of the State Comptroller

Division of Local Government and School Accountability

April 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 Longwood Central School District, entitled Purchasing. 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 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 Longwood Central School District (District) is located in the Town of Brookhaven, Suffolk County. 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 District operates seven schools with approximately 9,200 students and 2,500 employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$227 million, which are funded primarily with State aid, sales tax, real property taxes and grants.

Objective

The objective of our audit was to evaluate the internal controls over the District's purchasing practices. Our audit addressed the following related question:

- Did District officials ensure that purchases of all goods and services not subject to competitive bidding were made according to the District's purchasing policy?

Scope and Methodology

We examined the controls over the District's purchasing practices for the period July 1, 2014 through September 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

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

Purchasing

General Municipal Law (GML) requires the Board to adopt written procurement policies and procedures that provide guidance for determining when items must be competitively bid and when quotes should be obtained for purchases not required to be competitively bid.¹ The Board is responsible for ensuring that the District procures the desired quality and quantity of goods and services at the lowest cost, in compliance with Board policies and legal requirements. To accomplish this, it is important that District officials seek competition, use State and county contracts when available or both. The use of competition provides District residents with assurance that goods and services are procured in the most prudent and economical manner, that goods and services of desired quality are being acquired at the lowest possible prices and that procurement is not influenced by favoritism, extravagance, fraud or corruption.

A purchase order (PO) serves as the source document for claims that are entered into the accounting system. A properly functioning PO system ensures that purchases are authorized and preapproved and that adequate funds are available before a purchase is made. The PO also documents an authorized placement of an order to a vendor and, subsequently, provides a cross-reference to the vendor's invoice. To initiate a PO, the individual requesting a purchase submits a purchase requisition to the individual responsible for purchase authorization and approval. The purchase requisition form provides preapproval accountability and a level of assurance that the requested items are needed and have been approved. Once the PO has received authorization and approval, a financial officer must verify that funds are available before the PO is sent to a vendor for goods or services.

The District has a Board-adopted purchasing policy which is reviewed annually and was last updated in December 2014. In addition, the Board adopted regulations which supplement this policy and provide guidance on procurement methods for purchases that do not require competitive bidding, including the identification of specific dollar thresholds for when quotes should be obtained and, when required, the type of supporting documentation that should be attached to the claim for payment. The District also has a PO system in place to ensure that

¹ GML requires bidding when an item or commodity group exceeds established dollar limits. Dollar thresholds require local governments to advertise for bids for purchase contracts that are or aggregate to more than \$20,000 and public works contracts that are or aggregate to more than \$35,000. Purchases made through State and county contracts need not be competitively bid.

purchases are properly initiated, approved, documented and verified as received. District policies require the use of requisitions and POs for all transactions. Requisitions are approved by administrators/department heads, and POs are approved by the Purchasing Agent.

We reviewed 92 purchases² totaling \$270,152 that were subject to the District's procurement policy during the period July 1, 2014 to September 30, 2015. We reviewed these purchases to determine whether the POs were approved before the purchases were made, whether the invoices were within the limits of the approved purchase amount, whether they were reasonable and for proper District purposes and whether competitive methods were appropriately used to obtain goods and services.

Overall, we found that purchases of goods and services not subject to competitive bidding were done in compliance with the District's policy. We reviewed 92 purchases, of which 82 required that District staff obtain quotes. All 82 had quotes as required by District policy. The remaining 10 purchases were not subject to quotes or competitive bidding. We identified only minor issues regarding POs, which we discussed with District officials.

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

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

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March 17, 2016

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Re: Longwood Central School District
Purchasing, Report of Examination 2016M-016

Dear Mr. McCracken,

This is to acknowledge the receipt of the above referenced draft report for the Longwood Central School District. The District would like to thank you and your staff for your services. It was a positive experience for us. We appreciate the professionalism that your examiners showed while they were performing their extensive audit. We appreciate all of the feedback that was provided to us while they were here.

The audit does not contain any recommendations; therefore, no corrective action plan is required with this response.

Sincerely,

Michael R. Lonergan, DSW
Superintendent of Schools

Daniel Tomaszewski
President, Board of Education

www.longwood.k12.ny.us
Community Unity...Be A Part Of The Pride

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed individuals regarding District policies and procedures.
- We reviewed the Board meeting minutes for the period July 1, 2014, through September 30, 2015.
- We reviewed the purchasing policy, District regulations and related District procedures.
- We judgmentally selected 35 claims, totaling \$270,152, for review out of a total of 7,046 claims by choosing all checks paid by the District from its general fund during the period July 1, 2014 through September 30, 2015. We filtered the data to include only check values between \$2,500 and \$20,000. From this filtered list of 894 checks totaling \$5,894,549, we selected 35 checks in the following manner: a number was randomly selected between one and 894 as a starting point; we then counted every tenth check until we had a total of 35 checks. The 35 checks paid the invoices for 92 purchases.
- We reviewed contracts for professional service providers to determine if the contracts were approved by the Board and the providers were paid in accordance to the contracts.
- We reviewed pertinent documents for each sample selected, including the requisitions, purchase orders, vouchers, vendor invoices, State contracts, county bids, cooperative agreements and written vendor agreements.

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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