

OFFICE OF THE NEW YORK STATE COMPTROLLER



DIVISION OF LOCAL GOVERNMENT
& SCHOOL ACCOUNTABILITY

Pearl River Union Free School District

Competitive Procurement

Report of Examination

Period Covered:

July 1, 2014 – November 13, 2015

2015M-363



Thomas P. DiNapoli

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State of New York

Office of the State Comptroller

Division of Local Government and School Accountability

March 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 Pearl River 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 Pearl River Union Free School District (District) is located in the Town of Orangetown in Rockland 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 office and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The District operates five schools with approximately 2,500 students and 420 employees. The District's budgeted appropriations for the 2014-15 fiscal year were \$63 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 by obtaining quotes and issuing requests for proposals for purchases that were not subject to competitive bidding?

Scope and Methodology

We examined the District's internal controls over purchases that were not subjective to competitive bidding requirements for the period July 1, 2014 through November 13, 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 agreed with our recommendations and indicated they planned to take 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 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. 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. Competition, such as requests for proposals (RFPs), should also be used when acquiring professional services.

The Board has adopted a purchasing policy for the procurement of goods and services. The policy stipulates three thresholds for obtaining quotes: three verbal quotes are required for purchases between \$100 and \$500, three written quotes for purchases between \$500 and \$1,000 and five written quotes for purchases between \$1,001 and \$20,000. The policy also states that there must be adequate documentation supporting the use of a sole-source vendor, and that the District should use RFPs for the procurement of professional services. The adopted Board policy also requires that written procurement procedures be established and implemented by District officials.

The District needs to improve its internal controls over the procurement of goods and services not subject to competitive bidding requirements. District officials did not follow or enforce compliance with the District's procurement policy when purchases were not subject to competitive bidding requirements. As a result, purchases were made without the benefit of price comparisons and without sufficient documentation to support the basis for the selection of vendors. This occurred because written procedures were not in place to monitor and enforce compliance with the District's procurement policy.

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

During our audit period, the District made purchases between \$100 and \$20,000 from 435 vendors² totaling \$1,325,847. The District also obtained professional services from an additional 38 vendors totaling \$1,252,606. We randomly selected purchases made from 30 vendors totaling \$121,252 and from 20 professional services vendors totaling \$573,604. District officials did not obtain verbal or written quotations for purchases made from 15 vendors totaling \$20,428. The District also did not obtain RFPs for professional services from 15 vendors who were paid a total of \$504,530. Eight of the vendors were possible sole-source vendors. However, District officials did not have required documentation to support the sole-source claim. The remaining 12 vendors in our sample included six purchases by sole-source vendors with adequate documentation, three made under a State or County contract, two with adequate quotations and one that was bid.

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

Recommendations

1. District officials should establish and implement written purchasing procedures.
2. 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 We excluded from our population payments to professional associations, employee reimbursements and proprietary education-related expenses.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



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Tri-State
Consortium
Member

Marco F. Pochintesta
Superintendent of Schools

March 15, 2016

Mr. Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553

Dear Sir,

On behalf of the Pearl River Union Free School District I wish to thank your office for the time and effort put forth to assist us in our efforts to effectively manage our school district. The following is in response to the report of the auditor. The report is titled Competitive Procurement – July 1, 2014 – November 13, 2015, reference number 2015M-363.

The district is in agreement with the recommendations made in the report and is already in the process of implementing policies and procedures to strengthen the competitive procurement procedures of the district. It is always a goal of the district to be fiscally responsible and to ensure that the district is making the most economical use of public monies at the lowest possible cost to the district taxpayers.

The district will implement its Corrective Action Plan to address the recommendations made in the report as follows:

1. Adopt a purchasing policy that addresses the purchase of all professional services and required documentation for items that fall under bidding thresholds.
2. Immediately update the necessary limits for quotes, both verbal and written as well as updating the limits for bids.
3. Solicit bids for all purchases exceeding the mandatory bid limits in accordance with General Municipal Law.

We appreciate the feedback received and thank the examiners for their time and effort. We welcome the opportunity to improve our operations related to procurement.

Sincerely,

Marco F. Pochintesta, Superintendent

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to determine if District officials implement the District's purchasing policy by obtaining quotes and RFPs for purchases that were not subject to competitive bidding 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 \$100 and \$20,000. We selected a random sample of 30 vendors from within our population. We then selected the purchase order with the highest dollar value for each vendor. These 30 purchase orders totaled \$121,252.
- We reviewed the 30 purchase orders selected to determine if District officials obtained three verbal written quotations as required by the District's procedure.
- We used the electronic cash disbursement data to determine a population of professional services vendors. We then selected a random sample of 20 vendors within our population. We then selected the purchase order with the highest dollar value for each vendor. These 20 purchase orders totaled \$573,604.
- We reviewed the 20 professional service purchase orders selected to determine if District officials obtained RFPs.

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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APPENDIX D

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