REPORT OF EXAMINATION | 2018M-87

North Merrick Union Free School District

Purchasing

AUGUST 2018

OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

North Merrick Union Free School District

Audit Objective

Determine whether the purchasing of goods and services complied with competitive bid statutes and District policies.

Noteworthy Achievements

The District generally complied with New York State General Municipal Law (GML) and its purchasing policy when seeking competition for purchases.

- We selected payments to 22 vendors totaling $153,597 that required quotes and found that District officials obtained the required number of quotes.
- We selected 10 vendors who were paid a combined total of $5.1 million to determine whether the purchases were competitively bid. We found that District officials appropriately followed GML and the District's purchasing policy for competitive bidding for these purchases.

Our audit did not have any recommendations. District officials agreed with our report.

Background

The North Merrick Union Free School District (District) is located in the Town of Hempstead in Nassau County. The District is governed by an elected seven-member Board of Education (Board) which 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 day-to-day management of the District under the Board's direction. The Assistant Superintendent for Business, who is the purchasing agent, is responsible for ensuring that all goods and services are purchased in the most prudent and economical way.

Quick Facts	
Employees	310
2017-18 Enrollment	1,200
2017-18 Budgeted Appropriations	$31.4 million

Audit Period

July 1, 2016 − November 30, 2017

Purchasing

How Should a School District Purchase Goods and Services?

New York State General Municipal Law (GML)[1] requires that goods and services be procured in a manner to ensure the prudent and economical use of public funds, in the best interest of residents, to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost. Districts are generally required to seek competition when procurements exceed certain dollar thresholds and must adopt their own policies and procedures for procuring goods and services not required by law to be competitively bid. These procurement policies and procedures provide guidance to employees involved in the purchasing process and help ensure that competition is sought in a reasonable and cost effective manner when competitive bidding is not required.

The District Complied with GML and Its Purchasing Policy for Purchases Below the Competitive Bidding Amounts

The Board adopted a purchasing policy which provides guidelines for seeking competition for purchases that are not subject to competitive bidding requirements. The policy requires written quotes[2] to be obtained for purchase contracts from $3,000 to $20,000 and public work contracts from $5,000 to $35,000. The purchasing agent, with the help of an account clerk, is responsible for ensuring that the department requesting goods and/or services obtains three written quotes prior to issuing a purchase order. The District is required to provide justification and documentation of any contract awarded to an offerer other than the lowest responsible dollar offerer, or why that award is in the District's best interest.

We found the system was properly designed and appropriately segregated the purchasing agent's duties, who was responsible for ensuring the necessary purchasing procedures were followed. To verify that the system was being complied with, we selected a sample of vendors with purchases that should have been made using quotes. To focus on vendor payments most at risk, we excluded from our population payments to professional associations, employee reimbursements, professional fees (accounting, legal, etc.) and proprietary education-related expenses. This resulted in a population of 95 vendors with purchases totaling $548,454, from which we selected payments to 22 of these vendors totaling $153,597.[3] We found that District officials routinely followed the system of controls in accordance with policy and obtained the required number of quotes in all the payments we tested.

1 New York State General Municipal Law (GML) Section 104-b

2 Although the purchasing policy does not specify the number of quotes, District officials have communicated to us that it is the District's practice to obtain three written quotes.

3 See Appendix B for audit methodology.

The District Complied with GML and Its Purchasing Policy for Purchases Subject to Competitive Bidding

GML generally requires advertising for competitive bids for purchase contracts of more than $20,000 and public works contracts for more than $35,000.[4] Competitive bid solicitations must be publicly advertised, received in writing and remain sealed until publicly opened at a scheduled place and date. The purchasing agent is authorized to open and record all competitive bids and recommend the lowest responsible bidder.

The District paid 32 vendors that were subject to competitive bidding a total of $6 million during our audit period. We selected 10 vendors[5] who were paid a combined total of $5.1 million to determine whether the purchases were competitively bid. Seven vendors whose payments totaled $4.7 million were chosen from competitive bids. Purchases from three vendors, who were paid a total of $422,673, were made from cooperative bids. We found that the District appropriately followed GML and its purchasing policy for competitive bidding.

4 GML Section 103. Exceptions include purchases made through New York State Office of General Services, certain county and federal contracts and the use of certain contracts let by other State and political subdivisions. Also, emergency purchases, professional services and purchases from a legitimate sole source.

5 See Appendix B for audit methodology.

Appendix A: Response From District Officials

Cynthia Seniuk, Ed.D
Superintendent of Schools

July 17, 2018

Ira McCracken, Chief Examiner
Division of Local Government and School Accountability
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

Dear Mr. McCracken:

The North Merrick School District has received and reviewed the Comptroller's report entitled *Purchasing, Reports of Examination 2018M-087* and is in agreement with the content of the report.

The North Merrick Union Free School District is appreciative of the time, effort and guidance we received from your office throughout the audit process conducted by the Hauppauge Office of the New York State Comptroller.

On behalf of the North Merrick School District Board of Education I would like to thank the New York State Comptroller's office for their thorough review of our financial and procurement records which included an extensive risk assessment of the district's internal controls and functions in the business office. We are very pleased that this thorough and extensive audit resulted in no written recommendations for the district. We greatly appreciate your recognition of our efforts to improve internal controls and specifically the policies and procedures that we have implemented to ensure the accuracy of the district's finances.

The District is thankful for the courteous and professional manner in which the audit was conducted. The field audit team demonstrated a high level of respect and thoughtfulness for all district staff throughout the audit process. We welcomed their suggestions for improvements and have already incorporated their suggestions into our procedures.

The North Merrick Union Free School District strives for best practices in the safeguarding and protection of the District's finances and assets. We look forward to future opportunities to work with the New York State Comptroller's office.

Sincerely,

Dr. Cynthia Seniuk
Superintendent of Schools
North Merrick School District

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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 to gain an understanding of the District's purchasing procedures.
- We reviewed the District's purchasing policy and applicable laws.
- We judgmentally selected 22 vendor claims to review for compliance with District policy in soliciting written quotes during our audit period. We excluded from our population payments to professional associations, employee reimbursements, professional fees (accounting, legal, etc.) and proprietary education-related expenses. This resulted in 95 vendors who were paid a combined total of $548,454 during our audit period. We selected the 19 vendors who received the highest dollar amounts for the 2016-17 fiscal year, and three vendors from the 2017-18 fiscal year using professional judgment. This resulted in a total of 22 vendors who were paid a combined total of $251,545. We reviewed the largest payment to each of these 22 vendors, which totaled $153,597.
- We used electronic cash disbursement data to determine which purchases were subject to competitive bidding during the 2016-17 and 2017-18 fiscal years. We excluded from our population payments to professional associations, employee reimbursements, professional fees (accounting, legal, etc.) and proprietary education-related expenses. Thirty-two vendors were subject to competitive bidding during our audit period with payments totaling $6 million. We selected the top five vendors from each fiscal year, resulting in 10 vendors who were paid a total of $5.1 million. We reviewed the purchases from these 10 vendors for compliance with GML and District policy.

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

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 2116-1(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 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. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory
www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas
www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems
www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management
www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans
www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders
www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers
www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics
www.osc.state.ny.us/localgov/academy/index.htm

Contact

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www.osc.state.ny.us/localgov/index.htm

Local Government and School Accountability Help Line: (866) 321-8503

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