



Eastern Suffolk Board of Cooperative Educational Services Purchasing

Report of Examination

Period Covered:

July 1, 2014 – December 31, 2015

2016M-194



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 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 Eastern Suffolk BOCES, 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 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 Eastern Suffolk BOCES is a public entity serving 51 component school districts. BOCES is governed by a 15-member Board of Education (Board) elected by the boards of the component districts. The Board is responsible for the general management and control of the BOCES' financial and educational affairs. The District Superintendent is the BOCES' chief executive officer and serves dual roles. The District Superintendent is responsible, along with other administrative staff, for day-to-day BOCES management and for regional educational planning and coordination. The District Superintendent also serves the State as a representative for the New York State Commissioner of Education.

The chief operating officer provides executive leadership for all programs and services and the administrative infrastructure of the organization. The chief operating officer is responsible to the District Superintendent, and BOCES employees are responsible to the chief operating officer, through a supervisory structure, for all services to and support of component school districts. The manager of administrative services and other administrative staff promote cost-effectiveness in school district management.

Eastern Suffolk BOCES is one of the largest BOCES in the State. Programs and services include regional transportation, regional occupational health and safety, food service management, nonpublic textbook distribution, district printing and duplication services, shared business officials and office staff, auction services, special education, vocational education, academic and alternative programs, summer schools, staff development, instructional computer services, educational communication and cooperative bidding and purchasing.

Combined, the component districts educate approximately 162,000 students. BOCES delivers more than 90 educational and administrative services to its 51 component school districts and employs approximately 1,970 staff members. The BOCES' 2016-17 fiscal year budget of approximately \$333 million is funded primarily by charges to school districts for services.

Objective

The objective of our audit was to examine BOCES' purchasing and asset disposal activity. Our audit addressed the following related question:

- Have BOCES officials purchased goods and services and disposed of assets in accordance with policies and statutory requirements?

**Scope and
Methodology**

We examined the BOCES' purchasing and asset disposal processes in the general and grants/contributions funds for the period July 1, 2014 through December 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.

Purchasing

General Municipal Law (GML) requires advertisements for bids for purchases in excess of \$20,000 and for public work contracts in excess of \$35,000. GML also requires the Board to adopt a purchasing policy for goods and services that do not have to be competitively bid. Furthermore, it is the Board's responsibility to implement an adequate property disposal policy to ensure that BOCES officials dispose of surplus property in a manner that is in the best financial interest of the BOCES and its taxpayers. Such property must be declared surplus by the Board and offered for sale at least once at auction prior to disposal.

We reviewed the procurement of 100 goods and services totaling \$2,456,012 and the disposal of 25 assets and found that BOCES officials purchased goods and services and disposed of assets in accordance with policies and statutory requirements. We commend BOCES officials for designing a process that enables competitive methods for the procurement of goods and services and ensures the best possible prices for assets sold as surplus.

Purchases

GML requires advertisements for bids for purchases in excess of \$20,000 and for public work contracts in excess of \$35,000. GML also requires the Board to adopt a purchasing policy for goods and services that do not have to be competitively bid. The policy should require procurement decisions to be based on the review of proposals or quotations from vendors and describe each method of procurement and when to use each method. In addition, the policy should require BOCES personnel to maintain documentation of procurement decisions.

The Board adopted a policy for the procurement of goods and services in 2003 that was updated most recently in March 2015. In addition, purchasing guidelines and procedures were developed to supplement the policy and provide guidance on purchases that do not require competitive bidding. For example, no quotations are required for purchases under \$2,000; three informal quotes are required for purchases from \$2,000 to \$6,999 and three formal quotes are required for purchases from \$7,000 to \$20,000. Public works purchases from \$20,000 to \$35,000 require a minimum of three formal quotes. The Board is required to review and update the purchasing policy, guidelines and procedures annually to ensure compliance with GML.

BOCES made 25,272 check disbursements to vendors totaling \$228.3 million during our audit period. We reviewed 20 payments totaling \$1.7 million that exceeded the bidding thresholds. In all instances,

BOCES staff complied with the policy, regulations and GML. We also reviewed 40 payments totaling \$609,769 where three formal quotes were required and 40 payments totaling \$135,083 where three informal quotes were required.¹ Except for a few minor discrepancies that we discussed with BOCES officials, BOCES staff followed and complied with the policy, regulations and GML.

Disposals

BOCES has made a significant investment of taxpayer dollars in machinery, equipment and other assets and property that retain value after they are no longer required for operations. The Board adopted a personal property accountability policy in January 1997 and updated it most recently in December 2012. Prior to classifying an asset as surplus, it should be considered for reassignment to other locations within BOCES or stored for potential usefulness in the future. After the asset has been offered for sale at least once at auction, the asset may be disposed of in accordance with policy. Bidding is open to all persons except BOCES employees and their spouses. The manager of administrative services has final discretion over personal property that cannot be sold or is worth less than \$500, is broken, obsolete, damaged or in poor condition. These items should be disposed of in the best interest of BOCES.

The Board declared 7,748 items as surplus during our audit period. We reviewed documentation for 25 items² that included a cargo van, an industrial paper cutter, three medical/hospital beds, three power table saws, a mower, a security system with camera and DVR, a piano, five audio mixers, a medical mannequin, shelving, a tablet computer, a laptop, two cameras, a television with stand and two mini pool tables.

Eight assets were sold at auction for a total of \$4,500; one asset was sent to a recycling facility; eight assets were broken, irreparable or obsolete; four assets were reported as stolen to local authorities; and four assets were redeployed to another department or stored for future use. Except for a few minor discrepancies that we discussed with BOCES officials, BOCES staff generally disposed of assets in accordance with the policy.

We commend BOCES officials for complying with the statutory requirements and for designing a process that enables competitive methods for the procurement of goods and services and ensures the best possible prices for assets sold as surplus.

¹ See Appendix B for sampling methodology.

² Ibid.

APPENDIX A

RESPONSE FROM BOCES OFFICIALS

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

August 16, 2016

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

Re: Eastern Suffolk BOCES
Purchasing, Report of Examination 2016M-194

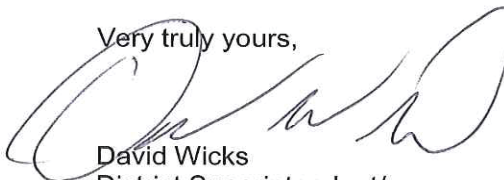
Dear Mr. McCracken:

I am writing in response to the recent examination of Eastern Suffolk BOCES' business operations performed by the Office of the State Comptroller. The purpose of the audit was to assess the adequacy of purchasing and asset disposal activity for Eastern Suffolk BOCES. We are pleased that the overall report was very positive, and appreciate the time spent reviewing our business practices.

The agency strives to ensure that our business operations meet the highest standard of fiscal responsibility, transparency, and accountability to the component school districts we serve and our community as a whole. We recognize and appreciate the meticulous review given to our purchasing procedures and asset management. The positive feedback is confirmation that our efforts have been effective. It has been a primary focus of the Board to ensure the fiscal integrity of the agency, and we are pleased that the report is representative of these efforts.

There were no adverse findings or recommendations in the audit report and, therefore, a corrective action plan is not required. We will continue our efforts to ensure strong financial controls and efficiencies throughout the agency.

Very truly yours,



David Wicks
District Superintendent/
Executive Officer

DW/df
c: Julie Davis Lutz
Ryan Ruf
Colleen Lipponer



Middle States Accredited

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APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed BOCES officials and staff to gain an understanding of the purchasing and disposal processes.
- We reviewed and evaluated current Board policies, regulations and procedures for purchasing and disposal of BOCES property.
- From the population of 25,272 check disbursements to vendors totaling \$228.3 million, we stratified the purchases into those that exceeded bidding thresholds, those that required formal written quotes and those that required informal written quotes, (5,479 checks totaling \$219.9 million). We judgmentally selected a sample of 100 purchases totaling \$2.5 million, based on vendor names and dollar amounts that included 20 payments totaling \$1.7 million that exceeded the bidding thresholds, 40 payments totaling \$609,769 that required three formal quotes, and 40 payments totaling \$135,083 that required three informal quotes and traced them to supporting documentation. We also selected nine purchases just below the bidding threshold and quantified the total annual payments to vendors to determine if bidding requirements were circumvented.
- From the population of 18 monthly Board-approved “Inventory to be Declared Surplus” lists that included 7,748 assets, we selected 25 assets and traced them to the asset management system and disposal documentation. These assets included high value items, smaller “walkable” items and assets described in a complaint letter.
- We reviewed purchasing and disposal records for related party transactions.

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.

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