



Washington-Saratoga- Warren-Hamilton- Essex Board of Cooperative Educational Services

Procurement Report of Examination

Period Covered:

July 1, 2014 — August 31, 2015

2016M-30



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 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 Washington-Saratoga-Warren-Hamilton-Essex 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 Washington-Saratoga-Warren-Hamilton-Essex Board of Cooperative Educational Services (BOCES) is an association of 31 component school districts. The 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 is responsible, along with other administrative staff, for the BOCES' day-to-day management and for regional educational planning and coordination. According to statute, the 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 approximately 42,500 students in Washington, Saratoga, Warren, Hamilton and Essex counties. BOCES delivers more than 150 educational and administrative services to its 31 component school districts and employs approximately 900 staff members. The BOCES' 2015-16 fiscal year budget of approximately \$64.7 million is funded primarily by charges to the component school districts for services and State and federal aid.

Objective

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

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

Scope and Methodology

We examined the 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. District officials agreed with the findings in the report.

Procurement

General Municipal Law (GML) requires competitive bidding for purchases and public works contracts in excess of established dollar limits,¹ unless specifically exempted by GML.² GML also requires BOCES officials adopt a written policy and procedures governing the procurement for goods and services not subject to the competitive bidding requirements. BOCES officials may seek price competition, when bidding is not required by law, by requesting proposals or obtaining written or verbal quotes from multiple vendors. In lieu of soliciting quotes, BOCES officials can make purchases using State contracts awarded by the Office of General Services or, for certain goods or services, contracts bid by other governments.

One of the Board's responsibilities is to establish, implement, monitor and enforce compliance with its procurement policy. Goods and services not required by law to be competitively bid should be procured in a manner to ensure that public funds are being used in the best interest of the taxpayers and to guard against favoritism, fraud and corruption.

The Board adopted a comprehensive procurement policy and BOCES officials established procedures that provide guidance as to when items must be competitively bid and when quotes should be obtained for purchases not required to be bid. The Board reviews and updates the policy annually to ensure that it provides guidance for officials and employees to follow when bidding is not required by law. The policy requires that alternative proposals or quotations for goods and services be secured by use of written request for proposals and written and verbal quotes from vendors. The purchasing agent, prior to approving a purchase, verifies that the item was either competitively bid or adequate quotes were obtained.

The Board ensured that BOCES officials complied with the procurement policy, and as a result, goods and services were procured in a prudent and economical manner. We examined 50 purchases totaling \$470,612³ that were subject to either statutory bidding requirements or requirements established in the BOCES'

¹ GML generally 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 equal or aggregate to more than \$20,000 and public works contracts that equal or aggregate to more than \$35,000.

² Procurements exempt from competitive bidding include purchases made off State and county contracts and for the following: emergency purchases, sole source purchases, professional services and insurance.

³ See Appendix B for sample selection information.

procurement policy. We also reviewed supporting documents to verify that purchases were properly approved and for valid BOCES purposes. Ten purchases totaling \$283,556 were in excess of the competitive bidding thresholds. These purchases were made by either being properly bid or they were obtained using State or county contracts as permitted by GML. The remaining 40 purchases totaling \$187,056 were made in compliance with the requirements of the BOCES' procurement policy.

We commend the Board for adopting a comprehensive procurement policy and BOCES officials for designing an effective system that ensures that goods and services were procured in accordance with the BOCES' adopted procurement policy and applicable laws.

APPENDIX A
RESPONSE FROM BOCES OFFICIALS

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

James Dexter
District Superintendent of Schools

March 30, 2016

Mr. Jeffrey P. Leonard
Chief Examiner
NYS Office of the State Comptroller
Division of Local Government and School Accountability
Glens Falls Regional Office
One Broad Street Plaza
Glens Falls, NY 12801-4396

Dear Mr. Leonard,

We wish to thank your staff for meeting with us on Thursday, March 24, 2016 to review the draft audit report. We also commend and thank your staff for being courteous and for their high degree of professionalism throughout the audit.

The WSWHE BOCES strives to operate in accordance with its policies and procedures and within the laws and regulations that govern the BOCES. The BOCES staff assigned in the areas reviewed during this audit, work diligently to ensure the highest quality of work. We are pleased that the report found us to be successful in our efforts.

Sincerely,



James P. Dexter
District Superintendent

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We obtained an understanding of BOCES' procurement process by interviewing appropriate BOCES' officials, performed limited tests of transactions and reviewing pertinent documents.
- We selected a test sample of 30 purchase orders for the year 2014-15 by sorting the BOCES' vendor history to exclude payroll payments, to which the BOCES' purchasing policy does not apply. We sorted the entire population by purchase order numbers. We then determined the monetary value of purchase orders that started with the numbers 14 and 15. We calculated the percentage that both purchase orders that began with 14 and 15 were to the total monetary population.⁴ We multiplied these percentages by 30 to determine the sample size for these purchase orders. Using the random number generator, we selected our sample for both purchase orders beginning with 14 and 15. We then determined if the purchase was properly approved, received and for valid BOCES purpose. We also determined if the purchases were made in compliance with the requirements of the BOCES' procurement policy or statutory bidding requirements.
- We selected a test sample of 10 purchase orders for the first two months in the year 2015-16⁵ by sorting the BOCES' vendor history to exclude payroll payments, to which the BOCES' purchasing policy does not apply. We sorted the entire population by purchase order numbers. We then determined the monetary value of purchase orders that started with the numbers 15 and 16. We calculated the percentage that both purchase orders that began with 15 and 16 were to the total monetary population.⁶ We multiplied these percentages by 10 to determine the sample size for these purchase orders. Using the random number generator, we selected our sample for both purchase orders beginning with 15 and 16. We then determined if the purchase was properly approved, received and for valid BOCES purpose. We also determined if the purchases were made in compliance with the requirements of the BOCES' procurement policy or statutory bidding requirements.
- We judgmentally selected 10 purchases orders during our audit scope period that met the monetary bidding limits. We judgmentally selected purchases that were for vehicles, computer equipment and professional fees. We then determined if the purchase was properly approved, received and for valid BOCES' purpose. We also determined if the purchases were made in compliance with the requirements of the BOCES procurement policy or statutory bidding requirements.

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.

⁴ The monetary population for the year 2014-15 was \$25.8 million.

⁵ Our audit scope period ended on August 31, 2015.

⁶ The monetary population for July 1, 2015 through August 31, 2015 was \$2.8 million.

APPENDIX C

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