

Lansing Central School District

Procurement

MAY 2022



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

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Report Highlights

Lansing Central School District

Audit Objective

Determine whether Lansing Central School District (District) officials used a competitive process to procure goods and services.

Key Findings

District officials did not always seek competition to procure goods and services. As a result, they may not have procured goods and services economically and in a manner that is in the best interests of taxpayers.

- Policies and procedures were inadequate and did not help ensure officials sought competition for goods and services.
- Officials did not seek competition for insurance coverage totaling \$232,624 or for four of six professional service providers paid \$301,023 during our 14-month audit period. Officials used the same insurance provider for about 20 years and each of the four remaining vendors for at least 10 years without periodically seeking competition.
- District officials may have saved at least \$3,700 on fuel costs by using a State contract.

Key Recommendations

- Update the procurement policy and related procedures to include detailed guidance for procuring goods and services not subject to competitive bidding requirements.
- Periodically compare prices for goods and services to State contracts and contracts bid by other governments.

District officials generally agreed with our findings and recommendations and indicated they will take corrective action. Appendix B includes our comment on an issue raised in the District's response letter.

Background

The District serves the Towns of Dryden, Groton and Lansing in Tompkins County.

The District is governed by an elected seven-member Board of Education (Board) that 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 officer and is responsible, along with other administrative staff, for the day-to-day management under the Board's direction.

The Business Administrator is the District's purchasing agent and is responsible for supervising purchasing activities.

Quick Facts

General Fund Appropriations

2021-22	\$32.4 million
2020-21	\$31.6 million

Total Paid During Our Audit Period

Insurance Coverage and Professional Service Providers	\$611,327
Fuel Purchases	\$75,800

Audit Period

July 1, 2020 – August 31, 2021

Procurement

The District contracts with the Delaware-Chenango-Madison-Otsego (DCMO) Board of Cooperative Educational Services (BOCES) to provide cooperative bidding services (BOCES purchasing service) from which the District can purchase goods and services.

How Should District Officials Seek Competition for Procurement?

School district boards of education (boards) are responsible for ensuring goods and services are procured competitively and in the best interests of taxpayers. New York State General Municipal Law (GML) Section 103 generally requires school districts to advertise for competitive bids for purchase contracts exceeding \$20,000 and public works contracts exceeding \$35,000. However, there are several exceptions to competitive bidding requirements, including, but not limited to, emergency purchases, insurance coverage, professional services and purchases made from a legitimate sole source.

GML Section 104-b requires boards to adopt written policies and procedures for procuring goods and services that are not subject to competitive bidding, such as purchase contracts of \$20,000 or less, public works contracts of \$35,000 or less, insurance coverage and professional services.

When a procurement is not subject to bidding requirements, a school district's procurement policy should provide guidance on obtaining alternate proposals or quotes by using a request for proposals (RFP)¹ process, requesting written or verbal quotes, or by using other acceptable methods. The policy also should provide guidelines for staff to help them determine when they should use alternative proposals or quotes.

Furthermore, New York State Education Law Section 2116-a(3)(b) requires school districts to use an RFP process at least once every five years when contracting for auditing services intended to perform the school districts' annual audits.

Generally, there are no set rules regarding how often to use RFPs or obtain quotes. However, a school district's procurement policy should establish reasonable intervals for using an RFP process or obtaining quotes, such as every three to five years, to ensure school district officials procure services at a favorable price.

Procurement policies and procedures should require staff to maintain adequate documentation for all actions taken for each procurement method used. When awarding a contract to a vendor that is not the lowest responsible dollar offeror (bidder), staff must ensure that the purchasing documentation clearly justifies when and why it is necessary.

GML Section 104-b requires boards to adopt written policies and procedures for procuring goods and services that are not subject to competitive bidding. ...

¹ An RFP is a document that provides detailed information on the type of service needed and, where applicable, the evaluation criteria used to award the contract.

Instead of seeking competition for goods and services, school districts can make purchases using State contracts awarded by the New York State Office of General Services (OGS) or contracts bid by other governments. While purchasing through other government contracts may be advantageous, it does not guarantee a lower price. Therefore, to ensure competition is sought in a reasonable and cost-effective manner, officials could also compare prices to State contracts or other market prices.

Officials Did Not Always Seek Competition When Procuring Goods and Services

The District's procurement policy states that the Board is responsible for ensuring procedures are developed for procuring goods or services that are not subject to competitive bidding thresholds. Although the policy requires employees to use an RFP process when procuring independent auditing services, the procurement policy and purchasing procedures did not adequately explain how to procure professional services, insurance coverage or other goods and services not subject to competitive bidding. The purchasing procedures explained only how to use the BOCES purchasing service and did not address any exceptions or allowances for not seeking competition.

Purchases Subject to Competitive Bidding – We reviewed all 4,279 payments totaling \$19.7 million from the general fund made to vendors during our audit period. We identified 23 payments that exceeded \$20,000. We excluded 22 of these payments from further testing because they were for items that were not subject to competitive bidding requirements, such as bond payments, utility services or professional services. The remaining payment was for the purchase of a truck totaling \$43,717 that was subject to competitive bidding requirements. Prior to purchasing the truck, officials properly compared three vehicles that were available through State contracts and selected the one with the lowest price.

In addition, we identified payments totaling \$575,400 made to 13 vendors that, in aggregate, exceeded \$20,000 per vendor. The District made these payments during the 2020-21 school year. We excluded 12 of these vendors from further testing because the procurement of their goods and services were not subject to competitive bidding requirements, such as professional services, utility services or other items that did not individually exceed \$20,000. The remaining vendor sold fuel products, which we tested separately.² We did not identify any public works contracts paid, individually or in aggregate, that were in excess of \$35,000.

...[T]he procurement policy and purchasing procedures did not adequately explain how to procure professional services, insurance coverage or other goods and services not subject to competitive bidding.

² Refer to the District Officials May Have Saved on Fuel Costs section for our findings on the District's fuel purchases.

Purchases Under the Competitive Bidding Threshold – We examined 20 disbursements³ totaling \$183,200 that were not subject to competitive bidding requirements and found that District officials sufficiently sought competition, when necessary, for the associated purchases. Each purchase was made through a State contract, or contracts bid by other governments; from a sole source vendor; or it was an emergency purchase related to the COVID-19 pandemic.

Insurance and Professional Services – We reviewed insurance coverage purchased by and six professional services⁴ used by the District to determine whether the District sought competition to obtain these services. These services included independent auditing services; American sign language interpretation services; occupational, physical and speech therapy services; and legal services.

We found that the District appropriately sought competition for an independent external financial auditor, who was paid \$27,300 during our audit period, and an American sign language interpreter service provider, which was paid \$50,380 during our audit period.

However, officials have used the same provider for about 20 years and did not seek competition for insurance coverage totaling \$232,624 or for four professional service providers that were paid a total of \$301,023 during our audit period (Figure 1). We estimated that the District used the other four vendors for at least 10 years without periodically seeking competition for the services.

Figure 1: Insurance and Professional Services Obtained Without Seeking Competition

Description	Expenditures Paid During Audit Period	Estimated Years Since Competition Last Sought
Insurance	\$232,624	20
Occupational Therapy	\$163,716	10
Physical Therapy	\$58,626	22
Speech Therapy	\$39,918	10
Legal	\$38,763	12

The Business Administrator told us they did not seek competition due to long-standing relationships with the providers or because there were limited options for obtaining providers of those types in the area. She told us that had they sought competition it likely would not have yielded significant savings. However, without

3 Refer to Appendix C for further information on our sample selection.

4 Ibid.

periodically seeking competition, there is no way of knowing what options and prices are available. As a result, the District may have paid more than necessary for insurance coverage and these services.

District Officials May Have Saved on Fuel Costs

Officials used the BOCES purchasing service to select a vendor to obtain fuel products. During our audit period, the District paid \$75,800 for diesel, propane, heating oil, kerosene and ethanol fuel.

We examined the 10 largest disbursements totaling approximately \$47,100 for these fuel products and compared the prices the District paid to the prices for the same products offered through State contracts. We found that the District may have saved approximately \$3,700, or 8 percent, on fuel costs if officials used the State contract pricing option for the 10 disbursements (Figure 2).

Figure 2: Potential Fuel Cost Savings in Sample Reviewed

Product	Amount Purchased	Cost Savings	Percent Savings
Diesel	\$14,963	\$1,622	11%
Propane	11,032	1,067	10%
Heating Oil	2,188	416	19%
Kerosene	2,610	345	13%
Ethanol	16,349	246	2%
Totals	\$47,142	\$3,696	8%

To obtain the prices offered through State contracts, District officials would need to file necessary fuel requirements with OGS before OGS awards its State contracts for fuel. If officials do not file these requirements before OGS awards the State contracts, the District would have to receive an agreement from a State contract vendor to be added to its delivery schedule.

The Business Administrator told us she was unaware that the State contract prices were lower and that the District used the BOCES purchasing service to provide stability for fuel prices for the entire school year. As a result, the District possibly paid more for fuel than necessary.

What Do We Recommend?

The Board should:

1. Update the procurement policy and related procedures to include detailed guidance for procuring goods and services not subject to competitive bidding requirements.

-
2. Update the purchasing procedures to require officials to award insurance coverage and professional service contracts only after soliciting some form of competition and to periodically seek competition for these services at reasonable intervals, such as every three to five years.

District officials should:

3. Periodically compare prices for goods and services to State contracts and contracts bid by other governments.

Appendix A: Response From District Officials



Lansing Central School District

284 Ridge Road
Lansing, NY 14882
www.lcsd.k12.ny.us

Phone: 607-533-3020

Fax: 607-533-3602

Board of Education

Ms. Christine Iacobucci, President
Ms. Aziza Benson, V. President
Ms. Kristin Hopkins, Trustee
Ms. Susan Tabrizi, Trustee
Mr. Matthew Hektor, Trustee
Mr. Tony Lombardo, Trustee
Mr. Aaron Thompson, Trustee
Ms. Debra Todd, District Clerk

Ms. Chris Pettograsso

Superintendent of Schools
District Office
284 Ridge Road
Lansing, NY 14882
607-533-3020 ext. 4001

Ms. Kathryn Heath

School Business Administrator
Business Office
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Ms. Christine Rebera

Director of Curriculum & Instruction
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Director of Special Services & Grants
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Ms. Katie Crandall

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300 Ridge Road
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607-533-3020 ext. 3129

Ms. Brenda Zavaski

Interim Middle School Principal
Lansing Middle School
6 Ludlowville Road
Lansing, NY 14882
607-533-3020 ext. 2120

Ms. Lorri Whiteman

Elementary School Principal
Lansing Elementary School
284 Ridge Road
Lansing, NY 14882
607-533-3020 ext. 1110

Mr. Glenn Fenner

Supervisor Buildings & Grounds
District Office
284 Ridge Road
Lansing, NY 14882
607-533-4766

Mr. Dave Barnes

Transportation Supervisor
322 Ridge Road
Lansing, NY 14882
607-533-4608

To: Office of NYS Comptroller
Date: April 21, 2022

Name: Lansing Central School District
Audit Report Unit Title: Procurement
Audit Report Number: 2021M-3

Lansing Central School District (LCSD) agrees with the overall intent of the audit findings with minor clarifications.

The District agrees that a comprehensive update of the district procurement policy and related procedures is necessary and began a full LCSD Policy Manual review and overhaul beginning in the year 2019-2020. The review and implementation process of Policy 6700 and 6741 is noted in our Corrective Action Plan.

The District agrees that processes and procedures should be in place to ensure a competitive process of procurement that promotes favorable prices/costs. However, the District would like to note that there may be scenarios that would be excluded. For example, being located in a somewhat rural area, we are often limited to only one potential service provider. It is also noteworthy, that although the District may not have engaged in periodic formal competitive processes for all contracts, the district has consistently engaged in extensive research to determine if other options exist, and if so, potential prices/ costs. Finally, the District is extremely collaborative with other local school districts and share services for favorable costs and quality of service, typically reviewed annually. Though the District does agree with the philosophy and intent of periodic review of goods and services to state contracts and contracts bid by other governments, we do believe there may be exceptions and have appropriately updated policy.

A final note within the audit findings stated that District officials may have saved on fuel costs. Specifically, "District officials may have saved at least \$3700 on fuel costs by using state contract." Though this may have been savings rendered in the audited year of July 1, 2020-August 30, 2021 it is not the case for the current year. As of March 31, 2022, had the district utilized state contract pricing fuel costs would have exceed our current contract with DCMO by \$4893. In addition, by using the DCMO BOCES fuel bid, fuel costs are predetermined and locked in allowing for concrete budget planning. If anything, the lack of stability presented by the data from the audit and the current year, further proves the value in the District approach.

This response is dually serving as Response to the Audit and the district Corrective Action Plan.

See
Note 1
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Name: Lansing Central School District
Audit Report Unit Title: Procurement
Audit Report Number: 2021M-3

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

Audit Recommendations:

Update the procurement policy and related procedures to include detailed guidance for procuring goods and services not subject to competitive bidding requirements.

Periodically compare prices for goods and services to State contracts and contracts bid by other governments.

Implementation Plan of Action(s):

The District is currently engaged in a complete policy manual update due to a change from Erie policy services to NYSSBA policy services. Policies 6700, Purchasing and Policy 6741 Contracting for Professional Services were reviewed in the fall of 2021 as noted in LCSD Policy Committee minutes, updated to reflect appropriate Lansing Central School District processes and are set for first Board of Education reading on May 9, 2022. Second Policy reading and Board of Education final adoption is set to occur on May 23, 2022.

We have included in the updated policy that the district *may* engage in a periodic review every 3 to 5 years to ensure school district officials procure services at a favorable price.

Implementation Date:

The district is currently following the policy and procedures as outlined in policy 6700 and 6741. The key policy update is having all aspects and district practices of procurement reflected in the updated policy. It is anticipated that both policies will be officially adopted on May 23, 2022.

Person(s) Responsible for Implementation:

Business Administrator and School Superintendent

Chris Pettograsso
Superintendent of Schools

Kathryn Heath
School Business Administrator

Appendix B: OSC Comment on the District's Response

Note 1

State contracts provide an additional option that District officials should consider when determining the most economical procurement method. District officials should generally select the procurement method that is in the best interests of the District's taxpayers.

Appendix C: 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 reviewed District policies and procedures and Board minutes and resolutions to gain an understanding of and evaluate the adequacy of procurement policies and procedures.
- We reviewed all 4,279 payments totaling \$19.7 million made to vendors from the District's general fund during our audit period and reviewed competitive pricing options and other supporting documentation to determine whether these purchases were made in accordance with competitive bidding requirements.
- During our review of general fund payments, we identified 23 payments totaling \$2.2 million. Each of these 23 payments exceeded \$20,000. We excluded 22 of these payments from further testing because they were for items that were not subject to competitive bidding requirements, such as bond payments, utility services or professional services. The remaining payment was for the purchase of a truck, which we included in our testing.
- During our review of general fund payments, we identified payments totaling \$575,400 made to 13 vendors that, in aggregate, exceeded \$20,000 per vendor. The District made these payments during the 2020-21 school year. We excluded 12 of these vendors from further testing because the procurement of their goods and services were not subject to competitive bidding requirements, such as professional services, utility services or other items that did not individually exceed \$20,000. The remaining vendor sold fuel products, which we tested separately. We did not identify any public works contracts paid, individually or in aggregate, that were in excess of \$35,000.
- The District made 245 disbursements totaling approximately \$2.4 million during our audit period that were less than \$20,000 each. We used our professional judgment to review the 20 largest disbursements totaling \$183,200 to determine whether officials sought competition for these purchases.
- We used our professional judgment to review disbursement reports for insurance coverage and five professional service providers to determine whether the District sought competition and to calculate how much the District paid these vendors during our audit period. We selected the five professional service providers because school districts typically need services such as independent external financial audit, occupational therapy, physical therapy, speech therapy and legal services. We also examined American sign language interpreter services when we determined that the

District was paying for them, during our examination of aggregate payments to vendors. We reviewed service contracts, invoices and other supporting documentation and interviewed District officials to estimate the time period each service had been used without seeking competition.

- The District made 41 disbursements for fuel products totaling \$75,800 during our audit period. We used our professional judgment to review the 10 highest fuel disbursements totaling approximately \$47,100 for diesel, propane, heating oil, kerosene and ethanol fuel and compared the prices that the District paid to State contract prices to determine whether District officials could have achieved cost savings.

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

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.

The Board has the responsibility to initiate corrective action. 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-a (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 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 CAP should be posted on the District's website for public review.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

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www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

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www.osc.state.ny.us/local-government/required-reporting

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